The Management Review

AUGUST, 1954

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AMERICAN MANAGEMENT ASSOCIATION

Industrial Relations"?

What Are "Competitive Industrial Relations"?

M. J. DOOHER, *Editor;* VIVIENNE MARQUIS, *Associate Editor*
ROLAND MANN, *Digest Editor*

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York 36, N. Y., at seventy-five cents per copy or six dollars per year. Vol. XLIII, No. 8, August 1954. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y. under the Act of March 3, 1879.

Changes of address should be forwarded to the publishers *one month in advance,* and postal unit numbers should be included in all addresses.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

An index to THE MANAGEMENT REVIEW is published annually with the December number. The contents are also indexed in the *Industrial Arts Index.*

Volume XLIII No. 8

AUGUST, 1954

The Management Review

A Partial List of Contents

FREEDOM WITHIN AMERICAN ENTERPRISE

ONE OF THE acute ironies of modern times is that those of us who see most clearly the virtues of free enterprise sometimes fail to realize the full implications of the system we are so anxious to preserve. It is easy for management to see the stifling effects of too much government control. What we often fail to see is that the violation of the essential principles we advocate for government produces the same stifling results within business as within the general economic system.

If we consider closely our generally accepted theories of organization, we cannot help but note a curious parallel to the machine. Our ideal of an effective organization is a smoothly running mechanism, in which all parts function smoothly, with a minimum of friction and a maximum economy of effort. Our very phraseology employs mechanical images. Organization charts are frequently referred to as blueprints. Management engineering has become an important and respected profession, and there is even a vogue for so-called "human engineering." All our thinking about organization displays a strongly mechanical turn of mind.

However, the nature of human organization cannot be properly apprehended in terms of mechanistic concepts. Unlike the parts of a machine, the people who comprise a human organization are flesh-and-blood men and women, with sentiments, ambitions, and needs of their own which range far beyond the confines of the organization of which they may be a part. They serve the needs of the organization willingly and enthusiastically only to the extent that the organization serves their needs as sentient, aspiring human beings.

Viewed in these terms, the problems of economic organization and administration parallel those of political organization and administration. However, some managements, under the sadly mistaken notion that business and political life are two different orders of things, apply strictly authoritarian principles in the administration of their business affairs.

These businesses closely resemble the authoritarian state in that all thinking tends to flow from the top down. While the top administrator may delegate certain parts of his responsibility and authority, the delegation consists largely of having his subordinates implement policies and directives which have already been set up. To make such an organization work, management is forced to set up a rigorous system of controls to see that things get done and to insure that people do not make too many mistakes in carrying out their orders.

What are some of the implications of this situation in terms of the people in the organization? Staff specialists and higher levels of management are likely to feel that supervisors can't be trusted to use good judgment at all times. Therefore, they feel impelled to establish precise rules to govern every contingency, or to appropriate broad areas of responsibility from line supervision and vest them in their own departments.

What is the effect of this elaborate system of supervision and control on rank and file workers? I refer you to the frequent and bitter complaints of management itself over the apathy of employees, their lack of initiative, their lack of interest in the affairs and problems of the enterprise, their antagonism to management, and so on and so forth.

In effect, all some organizations demand of their lower-level employees is their animal energies, their muscle-power. It almost seems they have done everything possible, through too-close supervision, through excessively refined time and motion studies, and through breaking jobs down into their simplest possible elements, to take all judgment from the operator and to reduce his work to the lowest possible repetitive, mechanical level. These efforts are usually justified in terms of supposedly greater efficiency, the ability to use less skilled people, and the greater proficiency which can come from repetition of simple movements and operations.

One supremely important result of this process has been to destroy the meaning of the job for the worker—that is, in all terms except the pay envelope. A further and exceedingly serious consequence of the authoritarian system of administration is its tendency to inhibit the adaptiveness and problem-solving ability of the organization. Because judgment and initiative flow from the top down, those at the low levels gradually lose their problem-solving ability. The processes of adaptation and problem-solving thus tend to move to higher levels in the organization and eventually must be dealt with at the top of the management hierarchy.

But this upward movement does not stop even at the top of the organization. In many cases, it tends to move right out of the organization itself to the level of the trade association or its equivalent, and from there often keeps right on moving until it comes to rest at the governmental level. Management, of course, is bitterly resentful of this gradual encroachment of government into business affairs. But management itself must bear its share of the responsibility for this tendency.

Because a great many of the problems which arise at the work place can be handled only by resort to higher authority, it has been inevitable that large masses of workers have become emotionally and psychologically dependent, looking for someone who can play the role of the good father and resolve the difficulty for his children. Since this is a role that management is poorly suited to play, large numbers of employees have turned to others—typically, politicians and labor leaders.

These are some of the difficulties American business management is facing today. What shall we do about them?

Part of the solution lies in developing a more adequate science of management that will not have the weaknesses implicit in the effort to apply engineering concepts to human organization. The growth and wide popularity of so-called "human relations" is an important beginning. However, there has been a tendency, in the last few years, to allow "human relations" to degenerate into a sort of "be nice to the guy" school of thought. Being "nice" to people is all well and good, but since management sometimes has to do things that are painful to people, this policy will not stand up against a blow of any real severity.

We in management are greatly concerned about the preservation of "free enterprise" and the "American Way of

Life." However, we cannot preserve free enterprise as an economic system unless we adapt its fundamentals to the internal operation and administration of our own businesses. We cannot preserve the American way of life unless we extend to our business structure the democratic ideals we take for granted in our political structures.

The real problem is one of management leadership; only in part is it a technical problem of organization structure or administrative skill. Basically, it is a moral and ethical problem: to work out, in practical, realistic terms, the means for making the industrial society the good society.

The challenge we are facing is no less than the preservation of all the things we value highest as Americans. If we can develop ways and means for applying our democratic ideals more effectively within business itself, we will not only preserve our system but will release creative and productive energies as great as those released by the rise of democratic states during the eighteenth and nineteenth centuries. Anything less than this will be tragically short of our historic opportunity.

—From an address by JAMES C. WORTHY (Assistant Secretary, U. S. Department of Commerce) before a Time Study and Methods Conference of the Society for the Advancement of Management.

A GLIMPSE AT THE WORKERS' PARADISE

SINCE THE DAYS of Karl Marx, his followers have been making great promises to all who would listen. Lenin and Stalin added to those promises. Nevertheless, the record of fulfillment is one of the sorriest in political history.

From official intelligence reports compiled in Washington, and from careful study of newspapers published behind the Iron Curtain, come some factual examples of how industrial problems are being met. That such complaints and stories are allowed to see print at all indicates how bad the true picture must be.

Disregard of the health and safety of factory and mine personnel behind the Iron Curtain is standard procedure. But in Hungary, to cite one example, the accident rate has mounted extraordinarily high. Recently the newspaper *Nepszava* reported that accidents in the plants of the building materials industry cost 15,107 work-days in three months' time. The same newspaper has stated that there is "criminal negligence" in the maintenance of safety devices in metallurgy plants and collieries.

Szabad Nep reports: "In many factories machines and motors have no guards, and in many places shafts, pits or water basins are left uncovered or are not properly fenced in, thus constituting a grave danger to the health of the workers, especially at night."

Lack of ventilating equipment is common in Hungarian and other Iron Curtain factories today. Last year the Hungarian newspaper *Szabad Ifjusag* charged that workers at the forging factory of the Mavag Works had to breathe air polluted by carbon monoxide for eight hours a day.

The vagaries of Communist consumer goods production are weird and wonder-

ful to relate. *Magyar Nemzet*, a Hungarian newspaper, recently noted that rubber pants are available for Hungarian babies in sizes one and five, but not for those in between. "Our light industry forgot to make them," was the newspaper's candid explanation.

The production of faulty goods is an old, old story by now in all Communist countries. The Czech satirical weekly *Dikobraz* last November ran an article about the Makyta textile factory in Puchov, Slovakia, which in the short space of two weeks supplied the Prague warehouse of the Wholesale Textile Trade with 1,500 faulty items of ready-made clothing — some buttonless, others with sleeves badly sewn, still others with armholes and collars cut in a slovenly manner.

In Hungary the flow of bad consumer goods has reached such proportions that recently a public display of such defective materials was held in Budapest to shame the manufacturers into better production. Included in the exhibit were knives that wouldn't cut, pens that didn't write, paper that absorbed ink like a blotter, dresses that changed color after the first washing, cigarettes that disintegrated at a touch and were only partly filled with tobacco, hollow sausages, and hundreds of other such items.

How Communism exploits professional men to keep industry and other enterprises from collapsing has been described of late in the Hungarian press. *Magyar Nemzet* tells of an interview with a young engineer who was "tired, nervous and absent-minded after working continuously for 36 hours repairing machines." He admitted his colleagues were suffering from a similar state of exhaustion.

The mania for holding meetings—proverbial in all Communist countries—is the bane of this young engineer's existence. "There is a lot of trouble with meetings," he admits. "There are meetings that are good and useful. On the other hand, we hold a series of unsuccessful meetings which have the avoiding of responsibility as the only outcome. At one of these meetings the size of work-pieces was the subject. It took all day. In the end nothing happened at all. Unfortunately we have had many similar 'important' meetings, and nothing comes of 90 per cent of them."

What of the engineer's life outside the factory? The newspaper correspondent found that the engineer had no time for research or scientific work. "He never takes a technical book into his hands, and he has no time to read technical literature. There hasn't been a Sunday in the past year when he wasn't called from home to the factory because something has gone wrong with the rolling mills."

These, then, are instances of life and working conditions—and production results—in factories behind the Iron Curtain. They are drawn directly from Red newspapers and magazines.

Anybody want to try this workers' paradise?

—JAMES H. WINCHESTER. *Mill & Factory*, June, 1954, p. 77:5.

ACORN INTO OAK: Federal expenditures for the fiscal year 1929 amounted to less than the total income payments of California's inhabitants. For the fiscal year ended June 30, 1953, federal expenditures took the equivalent of the income payments of all people west of the Mississippi River and, in addition, of all the inhabitants of Mississippi and 55 per cent of those of Alabama.

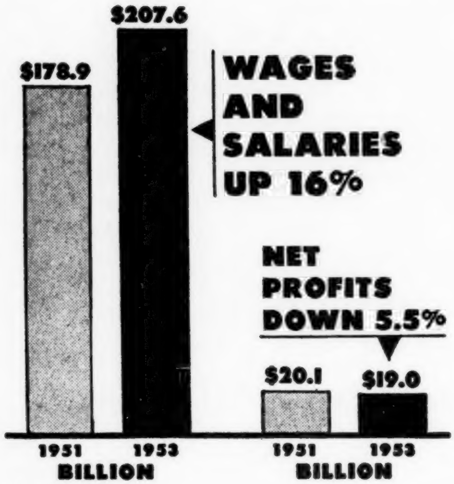
—FRANK E. PACKARD in *Taxes* (Commerce Clearing House, Inc., Chicago) 2/54

Labor Gets the Lion's Share

WHILE WAGES and salaries increased $28.7 billion, or 16 per cent, from 1951 to 1953, profits decreased by $1.1 billion, or 5.5 per cent, according to the U. S. Chamber of Commerce. The trend of net corporate profits had been up in the postwar years 1946-1950, but in 1951 and 1952 it turned down as a result of a sharp increase in income taxes needed for national defense, and of softer markets. Profits recovered somewhat in 1953, but were still below 1948, 1950 and 1951.

During the 14-year period 1939-1953, net corporate profits increased by $15 billion, or fourfold, while wages and salaries went up by $160 billion, likewise a fourfold increase.

While net profits today are almost four times as large as in 1939, net profits per dollar of sales have dropped from 4.1 cents in that year to 3.6 cents in 1953.



U. S. Chamber of Commerce

During the same period, corporate net profits rose from $13.9 billion to $19 billion—an increase of only $5.1 billion. But wages rose from $117.1 billion to $207.6 billion, or by $90.5 billion. Thus the entire increase in net profits equaled only a small fraction of the rise in wages.

If all dividends had been withheld last year and used to raise wages, employee compensation would have been increased on the average by only slightly more than 4 per cent, according to the Chamber. If retained earnings had been used for the same purpose, wages would have been increased by less than 5 per cent.

The Human Robot

"THE TRUE SCIENCE and the true study of man is man." So said Pierre Charron before 1600. But for centuries before him, and ever since, philosophers have been trying to define what man is. Recently a test pilot added a definition that we think is something of a classic.

It came at a meeting of air scientists and pilots, an advisory group to the North Atlantic Treaty Organization. In the course of the debate, as reported by *The New York Times*, the scientists made it clear that they would like to replace the pilot in the aircraft with instruments and servo-mechanisms. Scott Crossfield, a U. S. pilot who has flown the Douglas Skyrocket at 1,327 mph., rejoined by asking:

"Where can you find another nonlinear servo-mechanism weighing only 150 lbs. and having great adaptability, that can be produced so cheaply by completely unskilled labor?"

—*Business Week* 5/15/54

THE DEFENSE OF BUSINESS: A STRATEGIC APPRAISAL

ONE OF THE important businesses in our time is the defense of business. Year in and year out it commands the energies of a sizable number of executives, lawyers, public relations counselors, agency chiefs, copy writers, and miscellaneous journeyman practitioners.

However, not only is the non-business community notably undemonstrative in its acclaim, but the standard defense of business is a standard source of dissatisfaction to business men themselves. The complaints, in fact, have become clichés: "We are losing the battle." "American business has failed to sell itself to the American people." "Why are we so good at merchandising our products and so bad at selling ourselves?"

One reason for the dissatisfaction of business with its case may be that there is no real audience for its argument. The virtues of cleanliness, as it were, are being sold to a people who already appreciate the value of soap. Under such circumstances "the message" is certain to sound trite.

Secondly, the elaboration of a defense in itself raises questions. Were farmers to launch a campaign in defense of private ownership of land, a fair number of citizens would be prompted to wonder what wasteful and erosive practices they were following. Perhaps the defense of business, in the absence of any real attack, has served merely to invite similar speculation—and suspicion.

However, despite the possible advantages of inaction, business men have not been disposed to let sleeping dogs lie. So let us assume that business and the system which it so largely comprises are viewed with skepticism, suspicion, or hostility, and that something should be done about it. The question, then, concerns the efficacy of the present business defense.

A review of the case for the modern large-scale firm shows that it emphasizes the following points, all of which have been made familiar by repetition: (1) It is efficient. (2) It is technologically progressive. (3) The size of the modern firm is an optical illusion, since its ownership is widely and democratically dispersed. (4) The employees are happy and loyal to the employer. (5) Because it is privately owned and operated, the modern corporation is an expression of rugged, aggressive individualism, which is the essence of political liberty. (6) There is vigorous competition, in which profits are counterbalanced by losses.

The techniques for making and presenting these points vary greatly. However, the great bulk of the argument is accommodated to a relatively brief form of presentation—a page of advertising copy, a radio program, a short speech, a comic book, or a motion picture script. At least partly under the influence of product merchandising methods, a single highlight or a particularly dramatic, attention-catching aspect is selected and "plugged." The argument, in short, is built around a good selling point.

Stated with suitable qualifications, most of these propositions are valid. But the qualifications are indispensable; and these are inconsistent both with the technique of presentation and with the emphasis on "driving home a point" and "hitting them hard."

To take one example, there is no doubt whatever that labor productivity in the United States is far higher than in Russia. But for business to take ex-

clusive credit for this—or even to associate it exclusively with the difference between free enterprise and communism —is a drastic oversimplification. Differences in history, political tradition, popular education, and resources all presumably have something to do with it.

It may be thought that such questions do not occur to the great masses of people to whom the defense of business is addressed. But if this is so, it means that in presenting its case business is inviting the doubts of the more critical part of its audience in order to convert the less critical.

Actually, the uncritical man has no very deep conviction and can be persuaded and as readily be converted back again. Meanwhile the process of winning this person alienates, by half truth, the more influential and articulate (if admittedly less numerous) part of the community.

Two further aspects of the case for business, as it is commonly made, deserve a few words.

The tradition of scientific teaching in all liberal societies emphasizes the wisdom of never being excessively certain. By contrast, the business case is invariably presented with certainty extending to dogmatism: "This is how business is run." "Here is how the free enterprise system works."

The business defense is also conducted with singularly little humor. Excessive certainty—the conviction that the man who disagrees is damned—is fatal to good-humored tolerance of dissent. Ponderous solemnity rarely sways minds, or makes friends.

The claim of competition presents problems of special intricacy in the business defense. Because the term itself has sharply different meanings for different people, those who make the claim have an extraordinary opportunity to speak at cross purposes with those they seek to convince.

Since a drastic price cut by one firm would normally provoke parallel action by others, price-cutting normally plays a minor role in competition. In the business man's concept of competition, advertising, sales organization, and other merchandising skills are the major means of recruiting customers.

In contrast, price behavior is central in the economist's and in the lawyer's concept of competition. In the competitive market of economics, price competition has been more than an aspect of competitive rivalry; it has been competition itself. In stressing the absence of collusion (or single-firm control) in price making, the lawyer's attention is also focused on prices, and his philosophical guidance here comes not from the business man, but from the economist.

The business man, by showing how vigorously his industry or business in general struggles for customers by non-price inducements, confesses the absence of competition by the standards of a critically important sector of his audience. He proves precisely what he sought to disprove.

Actually, the claim of competition may not even be necessary. While we ascribe to it original virtues, we are, in fact, interested only in the *results* of competition. If the business case must be offered, it had best be based on performance—performance fully and carefully argued, and directed, not at those who are already disposed to believe, but rather at those with a critical tendency to disbelief.

—John Kenneth Galbraith. *Harvard Business Review*, March-April, 1954, page 37:7.

EMPLOYEE SECURITY: CAN MANAGEMENT MEET THE CHALLENGE?

SECURITY has always been of prime importance to mankind. As nations, we fear aggression as a threat to it. As individuals, we worry lest we be unable fully to provide it for ourselves and for our families. This search for security is an instinctive reaction to past experiences and future uncertainties.

The force of this drive is evidenced by the determination of several unions to obtain "guaranteed annual wage contracts." Certainly there can be no quarrel with the basic motivation underlying this demand—that of steady work and steady pay; but all too few people seem to understand that economic security comes from production and from payrolls, not from government or laws or contracts. This widespread concentration on security, which in its ultimate expression could conceivably develop into a national pattern of doubtful "guarantees" without foundation, makes it apparent that industry must buckle down and work out some practical solutions.

Over the years, certain techniques for reducing fluctuations in production and employment have taken on special significance. Their application, timing, and emphasis must, of course, be adjusted to the needs of each company. Seasonal unemployment stems from ups and downs in seasonal sales volume. Therefore, a study of how to stabilize employment would logically start with a survey of the fluctuations in sales and a thorough exploration of all possible methods to avoid them.

Many companies have found it possible to remove both peaks and valleys in production by anticipating high sales points and producing to meet them during slower sales periods. My company, for example, manufactures paint. In a normal year, our monthly sales vary substantially with the seasons. Therefore, in the winter months we overproduce on those items which require the maximum amount of labor in manufacture and which can be stored in the minimum of space. Included are the small packages, the difficult colors, and the more complicated process paints which are always slower in passing through the plant. When the rush season comes, those products which require the maximum in mill time and labor are out of the way; and our mills are free for fast-run production. As a result, fluctuations in the number of men employed throughout the year have been largely eliminated.

Of course, if business generally turns downward, if we fail to remain competitive, or if our sales department falters, our business falls off accordingly and employment is reduced. As long as Americans have the freedom to buy what they want and also not to buy, steady production and steady employment are not entirely deliverable; even though we may avoid depressions, business can never be universally high. Our system is not just a profit system. It's a profit *and loss* system.

The guaranteed annual wage is merely a part of our over-all human relations problem. As employers, we should recognize that in our system it is our employees who hold the key to successful competition; it is their willingness to pitch in and work together that makes it possible to get a job done. Almost

without exception, the frictions and frustrations we find in the work place stem from our failure to tell people how they're doing, what's ahead, what changes are planned, and what these changes will mean to them. Employees are forming opinions every day about top management, our companies, and the major national issues under debate. Do they base their views on hearsay, biased propaganda, the grapevine? Or are we giving them the facts they need?

Today management is confronted with the crying need of the individual for personal recognition and status, for a feeling of importance in his relations with others. We know that people are going to seek an outlet for this need somewhere. If our employees are not on our team, they'll be on somebody else's. It can easily be management that merits their loyalty, that makes them say "*our* safety record, *our* production, *our* outfit." If our people are convinced that we intend to do everything in our power to promote their status and dignity, we will have as our allies a proud and happy work force.

The vigor of the marketplace today is such that every employee needs to be a salesman. By pushing quality up and costs down, even the man at the bench or on the machine is on the sales force. If we treat him right, he'll be our personal supporter, too. He'll be the kind of a team man every business will need to realize its potential. Never were the interests of people in an enterprise more closely bound together. Never has an oncoming generation faced a brighter future, a horizon glowing with such tremendous opportunity.

—From an address by H. C. McClellan (President, National Association of Manufacturers) at a meeting sponsored by the Institute of Industrial Relations, University of California, Los Angeles.

"Clouds on the Horizon"

The forward-looking president of a well-known manufacturing company has developed a technique of anticipation which may appeal to other executives.

Though he doesn't believe in borrowing trouble, this chief executive doesn't like to be caught unprepared. He works on the premise that in any business little troubles are brewing all the time. Inventories may be getting out of hand. Service or quality may be deteriorating in some respect, almost imperceptibly. Competition may be beginning to steal some section of the market for one of the company's products. Or in any one of a dozen ways the business may be drifting into trouble.

So this president periodically calls his vice-presidents together for what he calls a "Clouds on the Horizon" meeting. There is no special agenda. The group is asked to bring up for discussion any area in which anyone senses that trouble may be brewing, whether in his particular area or in some other department.

"We try to smoke out all the little troubles that have not yet developed into real problems," says this president. "Sometimes someone has a vague concern that has not yet crystallized into a real problem or worry. Or one of the vice-presidents may sense a trend that needs serious study. Whatever it is, if we look into it right away, often we can take prompt action that will save us a heap of trouble later on. Because those meetings are anticipatory in character, no one is on the defensive. Our executive group is merely taking a couple of hours—usually at lunch—to scan the horizon for wisps of clouds which might, if not detected early, develop into a serious storm."

—*Management Briefs* (Rogers, Slade & Hill, New York) No. 63

Business Expenses on the Cuff

EVER SINCE World War II Americans have been on a live-on-the-cuff binge. Charge accounts, installment buying, credit cards, and other "don't pay today what you can pay tomorrow" schemes have flourished.

Practical businessmen, too, have picked up the convenient charge habit. And to take advantage of the executives' desire to sign for it, numerous credit card organizations have been formed which make it easy to sign the tab for luncheons, dinners, hotel bills, gifts, travel, and many other expenses.

One of the main advantages of the charge system is that the monthly bills sent out by credit organizations serve as permanent records of entertainment expenses for tax and expense account purposes. In effect, the businessman gets a part-time bookkeeper for $5 per year—the average cost of joining one of the credit clubs. In addition, there's the convenience of having to pay only one bill for a variety of expenses—and less cash is needed for road trips.

It also appears that many companies are using credit card systems to keep their employees' expense accounts honest. It's pretty hard to juggle a "swindle sheet" when most of the items are on a charge basis.

While it would be ideal if some firm could come out with a credit card that would enable a businessman to charge anything, anywhere, most informed sources in the credit-card business believe there is little likelihood such a system will ever evolve. Nevertheless, there is a growing tendency among credit-card organizations to increase the scope of the services they provide.

Under the plan developed by one credit-card firm it might be possible for a businessman to take a lengthy trip without spending any cash at all. Among the types of services he could charge on his card: airline tickets, hotels, motels, restaurants, garage services, clothing, flowers, fruit, department store purchases, candy, liquor, gift wares, theatre tickets, dry cleaning, and car rentals.

—E. C. KELLOGG in *Iron Age* Vol. 173 No. 3

The Clouded Crystal Ball

"EVERYTHING seems to have been done. I just don't see how anything else can be invented, because the U. S. Patent Office is just running over with inventions."

This was not written yesterday, or even in this century. Instead, the words were penned more than 100 years ago. Much more astonishing, they were the words of the chief of the U. S. Patent Office as he resigned in 1833. He didn't think there was anything left to be done.

Since that time more than 2,500,000 inventions have been perfected, not to mention many million more ideas that were not or could not be patented, but nevertheless left some imprint upon all of us.

—ROBERT P. CRAWFORD in *The Techniques of Creative Thinking*
(Hawthorn Books, Inc., New York)

BILLIONAIRES ALL: Not too many years ago we learned in school that the chemical content of a human body was worth 98 cents—a downright humiliating valuation! Today the situation is considerably brighter. E. I. du Pont de Nemours & Company, with neat regard for the public ego, observes that the atoms in our bodies contain a potential energy of more than 11 million kilowatt-hours per pound, making an average-size man worth $85.5 billion. The more we weigh, the more we're worth.

—*Commerce* 6/54

MAKING THE MOST OF YOUR RECORD-BREAKERS

IF YOU HAVE a forging more than 110 feet long, a grinding wheel that costs more than $25,000, or a lamp that's less than .05 inches in diameter, you have a record-breaker. And you can turn it into a booster for sales, community relations, and employee morale if you go about it the right way.

It isn't necessary, though, to produce the biggest or the smallest unit of its type to have a record worth crowing about. There are plenty of other record-breaking opportunities: A product may be the first of its kind to go by air, the oldest still in service, the most versatile, or the first to be used for a given purpose. If it is, and if it really represents a major step in that direction, it may be worth talking about.

Even if it doesn't actually break an industry-wide record, a product can still be a record-breaker. A recent General Electric press release, for instance, told of a transformer shipment that represented the largest number of one type sent to one customer in one day. Because they were very big transformers and the shipment was an unusually large one, it was interesting and unusual enough to command attention.

Record-breaking is one area in which it is sometimes possible to miss the boat —and still make it. Very often, a company breaks a record without being aware of it, or without being ready to start talking at that particular time. But it may still be possible to take advantage of the record-breaker at a later date— for instance, when an important milestone or anniversary is reached.

There are plenty of opportunities, too, to borrow records. Alcoa, for instance, recently pointed with pride to its production of complex fuselage sections for the "world's fastest plane," Bell Aircraft's rocket-powered X-1A.

Even not-quite record-breakers may be well worth promoting. Indeed, to many an editor and reader, a company which claims simply to have "one of the largest" products of its kind, or to be "among the first," brings a refreshing change of pace. Such a claim may well garner more recognition than one which attempts to batter down all opposition with such adjectives as "revolutionary" and "unique."

Promoting your record-breaker is, of course, a matter of spreading the word. But the way that is done—and the extent to which it is done—depends on the record itself. In any case, plant employees should have the good news first. A sign on the bulletin board or an item in the employee newspaper will do the trick. The local community can be let in on the story via its newspapers and radio stations. Stockholders may be informed of especially interesting record-breakers by inclusion in the annual report.

Then, if the record warrants it, the news can be given to customers, potential customers, and the general public through the use of special labels, banners and panels on shipments, and general press releases. Naturally, the latter steps are taken only when you really have a whopper.

To make sure you're not overlooking opportunities, check the following points:

Have you looked for records in your own plant? Smashing a long-time production record is worth crowing about. Have you beaten your own best performance on quantity, quality, or time?

Are you supplying parts or materials for the newest or largest airplane, the smallest radio, the first atomic power plants? Are you—or were you—first to use a new and important material or component?

In addition to press releases, do you point up your records by means of banners or panels on trucks and freight cars carrying record-breaking products? Do you display them at trade shows, use them in your annual financial report?

Do you remember that though it's nice to tell the world about a record-breaker, it's important to tell the home folks, too? Record-breakers can be fine morale-builders in your plant and community if properly used.

And remember: the record should be worth breaking, it should be broken by a healthy margin, and there should be no negative implications that might reflect on company or product.

—ANNESTA R. GARDNER. *Dun's Review and Modern Industry*, May, 1954, p. 35:4.

THE CASE OF THE MISSING INVENTION

A COMPLETE list of the alleged Russian inventions has recently been published. It gives the names of the "inventors," the year, and the official source in which the claim was publicly made.

The list is impressive and to the Western world downright humiliating. The Russians "invented" the cannon, the radio, the microscope, the electric motor, the steam engine, the caterpillar tractor, the combine, and the bicycle.

There are still others.

The telegraph, it is claimed, was invented by Slonimsky, not Morse; the paddle-wheel boat by Kourikine in 1804, not Fulton. The Russians invented the lawnmower in 1858; ball bearings in 1838; the gas and turbine engine; the jet airplane, with first flights in 1940; television and radar. Three-D movies, we learn, were invented by Ivanof in 1841; the first incandescent bulb in 1873 by Ladyguine; and the submarine by Nikonov in 1724. The latest claim is the invention of the flexible photographic film, years before George Eastman was born.

Odd, isn't it, that in a nation possessed of such inventive genius the people should be left with hand sickles for harvesting and whale oil for illumination! Odd, too, that they should have so few of those luxuries and conveniences that are common in our benighted nation—the movies, radio, telegraphy, lawnmowers, for example.

We may smile indulgently at the tall tales of Russian "inventions." The Russians did, however, have access to these things, and they have never been reluctant to take what they want. Obviously the Communist failure to keep pace with capitalistic America in providing better living for the "masses" is due to just one thing: In destroying economic freedom, they destroyed something vital—the promise of individual reward for individual merit.

Neither medals nor labor camps—and the Kremlin has tried both—will replace that incentive. It exists only where men may hope to win, by sweat of brow or

risk of savings, a reward equal to their industry and good judgment.

It took more than Edison's invention of an electric bulb to give better lighting to the world. That result was achieved only because rich and poor alike were free to pool their labor and their capital with men qualified to make, promote, and distribute the electric bulb.

If there is a better way than this, the Soviet has not found it. Russia, with all its claims to inventive originality, has not yet "invented" anything as effective as the American Way.

—W. ALTON JONES. *Service* (Cities Service Company), April, 1954, p. 1:1.

Also Recommended • • •

HOW WE'RE TRYING TO STABILIZE JOBS. By John L. McCaffrey. *Commerce* (1 North La Salle Street, Chicago 2, Ill.), June, 1954. 35 cents. Though International Harvester doesn't feel it has the complete answer—or ever will have—its management has dedicated itself to the goal of stabilizing employment through every means at its disposal. One such method, applicable to multi-product, multi-plant companies, is that of product balancing—i.e., diversifying the products manufactured within any single plant. As further means of stabilizing employment, the company has given close attention to informed forward planning, extensive market analysis, and careful inventory control.

STABILIZING PRODUCTION AND EMPLOYMENT. *Steel* (Penton Building, Cleveland 13, Ohio), May 17, 1954. 50 cents. Prepared in anticipation of increasingly strong union demands and pressure of public opinion for stabilized employment, this report is intended to help management explore the feasibility of offering such a guarantee—possibly on a modified basis. Particular emphasis is placed on the key factor—costs.

PLANNING FOR RESEARCH. By Thornton F. Bradshaw. *The Accounting Review* (address c/o R. Carson Cox, College of Commerce, Ohio State University, Columbus 10, Ohio), April, 1954. $1.50. While the job of planning for company objectives and controlling actions to achieve those objectives has traditionally been considered the responsibility of the company president, the author observes, one man cannot possibly do this job alone in most organizations of any size today. The need is urgent, he feels, for the establishment of a new type of management planning and control function, whose role in the organization he discusses here.

WHY TELL YOUR BUSINESS HISTORY? By Herbert O. Brayer. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), April, 1954. 35 cents. Discussing the values of an honest business history that is capably and interestingly written—as opposed to the "puff" or vanity publications that are best bypassed—the author reviews a dozen or so such books published during the past year which, in his opinion, are contributing materially to public understanding of American business.

ATOMIC ENERGY: WHERE ARE WE? WHERE ARE WE GOING? By Leland I. Doan, E. Blythe Stason, John Ray Dunning, and Walker L. Cisler. *Vital Speeches of the Day* (33 West 42 Street, New York 36, N. Y.), May, 1954. 30 cents. A round-table discussion of the peacetime uses for atomic energy, with specific attention given to the effect of atomic power on industry, legal situations that may arise, and the electric power potentialities of atomic energy. Mr. Doan presents instances of the use of atomic energy for power transmission, tracing and testing, medical treatments, and food conservation, while Mr. Dunning shows how atomic energy will provide power in the economy of the future. All participants agree that lifting of the governmental veil of secrecy from atomic energy processes will result in great strides by individuals and industry toward a better world.

HOW A MANUFACTURING COMPANY REORGANIZED ITS MANAGEMENT SETUP. By Christian E. Jarchow. *Advanced Management* (74 Fifth Avenue, New York 11, N. Y.), June, 1954. $1.00. The executive vice president of International Harvester Company describes some of the experiences and problems that emerge in the course of a major company reorganization—in this case a changeover from a functional to a highly decentralized, divisional type of organization.

FRINGE BENEFITS TODAY: A SURVEY

EMPLOYEE COMPENSATION during recent years has included increasing amounts for Social Security, private pension and insurance programs, vacations, holidays, rest periods, and numerous other perquisites commonly termed "fringe benefits."

Although steadily growing in importance, these fringe payments have been largely neglected in both government and private wage statistics—a fact which has prompted the U. S. Chamber of Commerce to conduct a series of industry-wide surveys on fringe benefits.

Following are some of the key findings of the latest of these surveys, based on a summary of data on fringe payments submitted by 529 firms across the nation:

Fringe payments for 1953 averaged 19.7 per cent of payroll, including: legally required payments (employer's share only), 3.3 per cent; pension and other agreed-upon payments (employer's share only), 5.9 per cent; paid rest periods, lunch periods, etc., 2.0 per cent; payments for time not worked, 6.3 per cent; and profit-sharing payments, bonuses, etc., 2.2 per cent.

Manufacturing firms paid somewhat more than nonmanufacturing firms for legally required payments and for rest periods, lunch periods, wash-up time, etc.; nonmanufacturing firms paid more for agreed-upon payments, time not worked, profit sharing payments, and Christmas and other special bonuses, etc. When expressed as cents per hour or dollars per year per employee, the relative difference between manufacturing and nonmanufacturing fringe payments lessens, as a consequence of the lower hourly earnings and the shorter work week in nonmanufacturing industries.

Manufacturing firms averaged 16.9 per cent of payroll for fringe benefits, with petroleum refining paying 22.7 per cent and chemicals and allied products 22.6 per cent, while textile products and apparel paid 14.3 per cent.

Legally required payments were highest for hotels and for the food, beverages and tobacco industries. Pension and other agreed-upon payments were highest for the petroleum industry and for banks and finance and trust companies. Paid rest periods, lunch periods, etc., were highest for the miscellaneous industries (coal mining, warehousing, and laundries). Payments for time not worked were highest for insurance companies and for banks, finance and trust companies. Profit-sharing payments, bonuses, etc., were highest for banks, finance and trust companies.

Nonmanufacturing firms averaged 23.9 per cent of payroll for fringe benefits, with banks, finance and trust companies paying 28.2 per cent, while hotels paid 17.7 per cent.

Expressed as cents per payroll hour, fringe payments were 35.6 cents for all companies; 31.8 cents for manufacturing firms; and 41.3 cents for nonmanufacturing firms. Expressed as dollars per year per employee, fringe payments were $739 for all companies, $674 for manufacturing firms, and $841 for nonmanufacturing firms.

Of the 529 reporting companies, 95

firms (about 18 per cent) reported that 10 per cent or more of their employees were engaged in continuous-process operations, defined as those "where, because of the nature of the production process, operations are maintained and workers employed three shifts a day, seven days a week. If such a schedule is not fully manned at all times, the continuous character is not changed. However, a 3-shift, 7-day schedule maintained merely to meet demand is not a continuous process operation." Among manufacturing companies, continuous-process operations were reported by all petroleum refining firms and by a number of food, beverage, and tobacco firms—all of which pay a larger-than-average percentage of payroll for fringe benefits. However, continuous operations were also reported by cement factories in the stone, clay and glass products industry, by the primary metal industries, and by the pulp, paper, lumber and furniture industry.

Hourly earnings of reporting companies averaged 180.7 cents, including: straight-time pay, 169.3 cents; overtime premium pay, 6.4 cents; holiday premium pay, 0.5 cents; shift differential, 1.0 cents; earned incentive or production bonus, 2.7 cents; and other pay, 0.8 cents.

Highest average hourly earnings were $2.269, reported by the petroleum refining industry, and $2.248, by the printing and publishing industry. The miscellaneous industries group (coal mining, warehousing, and laundries) led the non-manufacturing firms with $2.154.

Altogether, the Chamber's study shows, fringe payments for 317 identical companies increased from 18.3 per cent of payroll in 1951 to 19.5 per cent in 1953.

It seems clear, however, that the level of fringe benefits in any particular company or industry may be low or high, depending upon custom, preferences of employers and employees, and other factors.

—*Fringe Benefits 1953: The Nonwage Labor Costs of Doing Business* (Economic Research Department, U. S. Chamber of Commerce, Washington 6, D. C.), April, 1954.

Professional Standards for Personnel Men?

PERSONNEL WORK is a profession, personnel managers have long contended. Now comes evidence that top management is beginning to agree—and perhaps would go even further in some cases than the personnel managers themselves.

A small survey of 90 top executives in Minneapolis-St. Paul, conducted by the Department of Psychology, University of Minnesota, shows that 63 per cent believe minimum standards of education and experience should be established for those who enter the personnel field; 38 per cent favor public examinations for industrial relations practitioners like those now used in medicine and law; and 46 per cent think personnel men should place the public interest ahead of company interest when the two are not identical.

Industrial relations men may, of course, take the latter finding with a grain of salt. How top managements say they feel is not necessarily a guide to their attitude in a particular case. "Public interest" is at best a nebulous concept on which there may be many honest differences of opinion.

But it is significant—both of the growing sense of social responsibility in top management and the enhanced status of personnel management—that so many company presidents feel this is the correct attitude to take.

—*Industrial Relations News* (Industrial Relations Newsletter, Inc., 230 West 41 Street, New York 36, N. Y.) 4/26/54

AUTOMATIC VS. OPTIONAL RETIREMENT: CURRENT PRACTICE AND THEORY

THE GROWING proportion of older persons in the work force—a trend which will be even more pronounced in the future—confronts the personnel executive with a number of problems. Outstanding among these is the question: Who should decide when retirement is to take place?

To examine management practice and opinion with regard to this and related problems, a survey was made recently of 196 representative personnel and industrial relations executives. Here are some significant findings:

Seven out of eight larger companies and three out of four smaller firms have some kind of retirement plan. Normal retirement age in practically all these plans is 65 years, though a few plans have a normal retirement age of 65 for men and 60 for women. Before this normal retirement age is reached, however, most companies with pension plans allow for early retirement, often in case of disability.

In nearly one-third of all pension plans in larger companies, and one-sixth of plans in smaller companies, retirement is automatic at normal retirement age. Plans calling for automatic retirement at ages later than normal retirement age, in most cases, settle upon 68 or 70 as the final limit. In these companies, the decision as to whether the employee is to continue working beyond the normal retirement age is made in some instances by the employee himself, in some instances by the employer, and in some cases is left to the option of either party.

Retirement plans without any automatic features are divided fairly equally among three categories. In these plans, retirement after normal retirement age is at the option of the employee himself, (in 20 per cent of the larger companies and 20 per cent of the smaller ones,) at the option of the employer, (60 per cent of the larger and 20 per cent of the smaller firms) or at the option of either party (10 per cent of the larger companies and 20 per cent of the smaller ones).

Forty-seven per cent of personnel executives in larger companies favored automatic retirement provisions, while in smaller firms only 24 per cent preferred such provisions. Those favoring automatic retirement felt that it gives the employee a chance to prepare and plan for his retirement, enables the employer to plan for replacements in advance, and eliminates resentments and disputes which would arise from keeping one older worker and retiring another. Other advantages mentioned are: Automatic retirement eliminates the older employee's anxiety as to his status; it is easy to administer; it makes it possible to retire employees who should retire but don't; it allows for a younger work force, with correspondingly lower pension costs; and it solves the knotty problem of determining when an employee should be retired.

The chief advantage claimed for retirement at the employer's option (cited by 34 per cent of the respondents in larger companies and 29 per cent in smaller) as contrasted with automatic retirement, is that it allows a company to defer retirement of valuable employees. As against retirement at the option of the employee himself, personnel executives feel that an employee can rarely, if ever, evaluate himself honestly; hence leaving the decision in the hands of the employer guarantees efficient operation.

The company, these executives believe, is the best judge of the health and ability of its employees.

Those who prefer leaving the retirement decision with the employee himself, (9 per cent in the larger companies and 24 per cent in the smaller) claim a number of advantages for this approach: The employee is the best judge of his own financial setup; forcing an employee into retirement may seriously affect his health; leaving the choice with the employee builds good will, and also gives the older worker a greater sense of security.

—*Personnel Policies Forum* (Bureau of National Affairs, Inc.), Survey No. 20.

"JOB ENLARGEMENT": AN ANSWER TO SPECIALIZATION AND BOREDOM?

ONE OF THE AXIOMS of U. S. business has been that efficiency is increased by specialization. In keeping with the axiom, many jobs have been broken down into simple, repetitive tasks that workers can learn easily and perform swiftly. But such specialization has created a big problem: boredom.

Bored workers are often poor workers with a high rate of absenteeism and spoilage of materials. Thus, in many operations, there is a point where specialization ceases to pay. The saving in workers' movements is more than outweighed by the loss in interest and morale. As a result, some businesses are trying a radical new approach to specialization and the problem of monotony.

The new system, "job enlargement," was formally born in 1943 at International Business Machines Corporation, and has since spread throughout I.B.M. manufacturing plants in the U. S. A lathe operator who used to do little more than stop and start the machine now reads blueprints, adjusts the machine, and inspects his finished work with a battery of gauges. Along with other companies, I.B.M. also employs another anti-specialization system, called "job rotation." Instead of working at one particular machine day after day, an operator learns to run several different types and gets welcome variety by switching from one to another.

I.B.M. estimates that job rotation and enlargement have increased the scope and variety of virtually all of the 7,500 machining and assembly jobs in its four U. S. factories. At the Poughkeepsie plant, the ratio of setup men and inspectors to hourly workers has been halved, from 9 per 100 to 4.5 per 100. Endicott, which in 1943 had 207 setup men for 3,351 machine operators, now has 4,411 operators and only four setup men. Workers find their enlarged jobs less monotonous, less fatiguing; they are absent less often, do less complaining, and make fewer mistakes. With fewer setup men and inspectors around, foremen deal more directly with the workers, which cuts down sharply on misunderstandings and quarrels.

Some businessmen have been wary of trying job enlargement for fear that union leaders might fight it as an attempt to downgrade higher-paying jobs. But at

I.B.M., which is non-union, job enlargement has been an upgrading process. Operators have received an average 10 per cent pay boost as a reward for learning enlarged jobs. Setup men and inspectors who were no longer needed have been assigned to other jobs in the company, often at higher pay.

Other companies that have experimented with job enlargement have also found that it pays. Impressed with job-enlargement results in his own department, Detroit Edison's J. Douglas Elliott made a study of billing practices in 122 other electric-utility companies. On the average, he found, billing costs per customer were highest in the billing departments with the most specialization, lowest in those with the least. The cost difference between the two groups was a whopping 40 per cent. These astonishing facts and figures were more evidence that U. S. business might gain a lot by reconsidering the urge for specialization.

—*Time*, April 22, 1954, page 100:1.

Does Government Intervention Benefit Labor?

AN OBSERVER of the American labor movement over the past 20 years could easily come to the conclusion that labor leaders universally favor government intervention in labor-management relations. But occasionally there is refreshing evidence that some union heads have sufficient foresight to want to keep government out of their negotiations.

Recently Edward Fenner, executive director of the Chicago Truck Drivers' Union, Local 705 (Ind.), stated the case against government intervention in these terms:

"Organized labor dare not look to government for anything. The long-run price which government and politicians exact for their help is too high. If, over the next 20 years, government intervenes in labor matters as strenuously as it has done over the past 20 years, we will find that there will be no free labor unions or private enterprise. Every union would need a license to exist, would need a permit before it could begin to organize any plant or garage, and would need some bureaucrat's permission before a union could make any demands of any employer. Strikes would be outlawed.

"And as far as the employer is concerned, he would be in a similar strait-jacket. Wage rates, working conditions would be fixed by law or by bureaucratic ruling—as in Russia and most of eastern Europe—and prices and profits would be similarly fixed. Everyone would live in a cage, and the politicians, naturally, would hold the whip. Argentina is the latest example of this.

"Unless labor leaders and employers learn to compromise more, they will both suffer from larger and increasing governmental intervention in labor-management affairs."

—ALAN STURDY in *Commerce* 6/54

FOREMEN EXCHANGED JOBS for a day at Olympic Radio & Television, Inc. (Long Island City, New York) recently. The idea was to afford them an opportunity to see each others' problems from the inside. Each foreman later wrote a report embodying his ideas for improvements in the department he visited. Suggestions gathered by this method will save more than $50,000 in the course of a year, the company estimates.

—*Personnel Executives' Newsletter* (Deutsch & Shea, Inc.)

1954 VACATION PRACTICES: A SURVEY OF COMPANY POLICIES

THOUGH SALARIED workers still have the traditional edge over hourly workers as far as vacation allowances are concerned, the gap is closing fast. Employers who have been lagging behind and providing below-average vacation allowances are liberalizing their vacation requirements. These are the major trends disclosed by a recent survey of 227 companies of all sizes and kinds, located from coast to coast and employing 935,081 persons.

The "one-for-one and two-for-five" formula instituted during World War II under the War Labor Board for hourly workers is still going strong, but the trend is toward two-week vacations after less than five years of service. In fact, there are more employers giving two-week vacations for three years of service and less, than employers who require longer periods of service.

Though not many companies are making full use of their vacation periods as aids in controlling absenteeism and reducing turnover, some firms have found ways to cash in on this possibility through minimum-attendance requirements, length-of-service requirements for extended vacation periods (an extra day for every year of service after the fifth year), and other similar means. For instance, Rand-McNally & Company, Chicago, allows five days' sick leave per year, which, if not used, is added to vacation time. Bristol-Myers Company, New York, reports a practice of giving a half-day credit per month to employees who are not late or absent in the month, up to a limit of five days. This credit is added to vacation time.

In examining vacation policies, it is important to keep in sight the two prevalent concepts of the vacation theory. The first is that a vacation is an employer's investment in the added productivity and efficiency of his employees, as well as a method of giving recognition for loyalty and length of service. Under this concept an employer is justified in disregarding claims for vacation pay when an employee quits before taking his vacation, since the employer would be getting nothing for his "investment."

The other concept is that vacations are a form of deferred wages, earned but withheld by the employer until the employee is eligible to receive them. Under this view, employers can be held liable for the payment of such "wages" should the employee quit, be laid off, or discharged. From the survey, it seems fair to conclude that a large majority of companies are following this second theory—some willingly, some because it hasn't been considered, and some because it was forced upon them by union contract.

Vacation periods ranging from one week of vacation after five years of service to four weeks after one year of service were reported. On the average, hourly employees are getting one week off with pay for a year of service; and salaried employees, two weeks for a year of service.

Thirty-four companies require that employees work a minimum number of hours, or a percentage of pay periods, to qualify for the regular vacation allowances. These requirements range from 1,000 hours and 50 per cent of pay periods to 1,800 hours and as high as 90 per cent of pay periods. The minimum-hour requirement serves to

limit the number of leaves of absence some employees might otherwise take.

Most companies differentiate between unexcused absences and absences due to injury on the job, illnesses, and similar disabilities. Excused absences are usually treated as time worked for purposes of computing vacation pay.

Methods of computing vacation pay were not as varied as vacation periods and requirements. Forty-four per cent of the 227 companies answering this portion of the survey paid the average earned rate, less overtime. The average earned rate is found by taking hourly earnings over a predetermined period of time and dividing by the number of hours worked. This can be a costly method for companies on a piece-rate basis, especially when the base is fairly low. Some companies reported successful efforts during the past year to change to the straight-rate-times-vacation-hours method of setting vacation pay. The straight-rate method was used by 40 per cent of the companies surveyed. Four per cent of the companies use average earned rate plus overtime; 3 per cent, percentage of year's earnings without overtime; and 9 per cent, percentage of year's earnings plus overtime.

A few companies reported figuring vacation pay by taking a percentage of the earnings for the previous calendar year—2 per cent or 4 per cent, depending on whether one or two weeks are given. Another company reported paying a vacation allowance based on the result of dividing the total earnings of the vacation year by the number of hours the employee was scheduled to work during the period.

—*Vacation Policies and Practices of 227 Companies* (Personnel Administration Service, The Dartnell Corporation, Chicago)

ONE WAY TO WRITE A UNION AGREEMENT

AT ROGERS CORPORATION we write our union agreement in monthly installments.

Many long years ago, Rogers, as many other companies still do, had negotiating meetings that went like this:

UNION: We want 10 cents an hour more.
MANAGEMENT: We can't do it.
UNION: Yes, you can.
MANAGEMENT: No, we can't.
UNION: You can, too.
MANAGEMENT: We can't, either.
UNION: The heck, you say.
MANAGEMENT: The heck, we don't say.

Now, instead of putting this show on in many horrible scenes, once each year, we work at it each month in our regular labor-management meetings.

The minutes of these meetings are called "memoranda of understanding" and become, after 10 months, the basis of the next annual agreement, to be worked out finally in the last two months' meetings. In effect, we write a 12-chapter book in single monthly installments.

The interpretations of agreement clauses are thus virtually part of the agreement itself. Everyone truly understands what it's all about.

By blowing off steam in 10 monthly units, we come into agreement negotiations during the 11th month with a head of steam that is a little thing—10 of which put together could make a major explosion.

Both union and management are conditioning each other through the longer period, presenting facts in order rather

than pell-mell, eliminating the fight against time, substituting facts for emotions, and doing it all person-to-person.

Long-term agreements can be merely a neat way for management to kid itself into thinking that it can escape continuous human contacts. If you insist upon living up to the letter of a contract with a customer or supplier, regardless of changed conditions, you may put the customer or supplier out of business. Trying to put labor relations on the shelf this way may put you out of business, in terms of getting your money's worth out of workers living under long-term agreements.

We'll stick with the monthly meetings, with a good, hard look at the agreement every time. That gives us the opportunity, under relaxed conditions, to discuss problems that have accumulated for only 30 days, instead of tackling those that have piled up and rooted themselves for 12 to 60 months.

—*Here's Rogers Again* (Rogers Corporation, Goodyear & Manchester, Conn.).

"Supervisory Selection—Backwards"

CHOOSING for promotion the best workman, the one with the most agreeable disposition, or the boss's best friend are admittedly poor ways to pick a man to join management's team. At Cities Service Refining Corp. we were well aware of the importance of picking new supervisors according to a rational procedure, but we were faced with the problem of selecting the right candidates for training.

All of our top mechanics, operators, and technical and clerical people were—in theory at least—potential candidates for supervisory jobs. Why not train them all? Then, from various tests and careful observation by the instructors, we could at least identify the less promising candidates in each group.

This was the beginning of our program of "Supervisory Selection, Backwards." The basic training course, which took nearly a year to develop, covered company history and products, economics, leadership, communication, principles of management, human relations, labor unions and labor legislation, foreman-steward relations, and existing union contracts.

Lecture-discussion presentation was supported by films, charts, case examples, and visual demonstrations. It required 34 hours for presentation, and was given to groups of 12 spread over a three-week period in 1½-hour sessions. The classes were held during the day and on company time. The shift problem was met by relieving men from night-shift work and assigning them to straight day work for the three weeks. It was made clear that satisfactory completion of the course would in itself be no guarantee of promotion.

Our initial purpose—preparing and selecting a backlog of potential supervisors—has long since been achieved. But the potential is by no means exhausted. We are still finding outstanding men who in the normal course of events would very likely have been overlooked in the shuffle. Conversely, some of those considered the most promising candidates have, under the microscope of searching group discussion, exhibited traits of character and evidenced mental processes not at all compatible with good supervision.

—W. E. BENNETT in *Systems Magazine* 3/54

A DAY NURSERY, started by the Mooresville (N. C.) Cotton Mills for children of employees working on the daytime shift, now takes care of the children of second-shift workers during the day, giving parents a chance to sleep. Youngsters are taken to and from their homes by company transportation.

—*Personnel Executives' Newsletter* (Deutsch & Shea, Inc.)

Workers Size Up the Incentive Plan

WHAT DOES THE employee on incentive wages think of his pay plan? Some surprising facts—as well as scientific backing for some common but previously unverified assumptions about employee attitudes toward incentives—have been developed in the course of a study conducted by the Survey Research Center at the University of Michigan among 2,500 production employees of a large metal fabricating company. Of this number, about 1,500 were on incentive jobs—some 700 on group incentives and some 800 on individual incentives—while the other 1,000 were paid at straight hourly rates.

Most employees on incentives favored the principle of incentive pay, 60 per cent of them strongly. Only 10 per cent actually opposed incentives. When asked how they would like to be paid, about 75 per cent of incentive workers said they would like to remain on incentive pay. While most non-incentive workers were not opposed to incentive plans in general, a majority of them said they preferred straight hourly pay for themselves. The majority of incentive workers, while satisfied with standards on their own jobs, expressed some dissatisfaction with the way incentives work out at their company. Fewer than 50 per cent of group incentive workers liked that method of pay for themselves; however, another 32 per cent of them favored individual incentives. Generally, it appears, workers on group incentives would prefer individual ones; those who don't work under any kind of incentive prefer to remain on hourly pay.

Workers who most liked the company were most satisfied with the incentive plan. Of those who thought the company "a very good place" to work, nearly 85 per cent liked the incentive; of those who thought it "a good place," about 67 per cent liked the incentive; "a fairly good place," about 40 per cent; "all right," about 22 per cent; "not too good," 17 per cent.

Moreover, workers who think their foremen are good at explaining the reasons for changes in a labor standard are better satisfied with incentives than those whose foremen are seen as "poor" at explaining, or as not trying to explain.

—ALFRED G. LARKE in *Dun's Review* and *Modern Industry*, Vol. 62, No. 2308

A New Guide to BLS Employment Statistics

USERS of industry statistics on employment, hours and earnings, and labor turnover frequently are faced with the need for historical data for comparison with currently published materials. In this connection one of the most important questions is: What is the earliest date for which a statistical series is available on a comparable basis? To meet this need, the Bureau of Labor Statistics has prepared a guide to its employment statistics data which shows the earliest date for which currently published national series on employment, hours and earnings, and labor turnover are available.

In addition to a guide to historical data, the publication presents a catalog of industries for which current data are published. It also includes a complete listing of all industries, describing the composition of each non-agricultural industry division, major group, and specific industry for which the Bureau currently publishes data.

Each industry is described in considerable detail, to enable individual firms to identify the statistical series which includes their specific products. This guide to product classification should also prove useful to firms in identifying their product inclusion in other government statistical series, since the BLS classification is based on standard classification systems widely used in other government reports.

Single copies of the catalog are available upon request from the Regional Director, U. S. Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, New York.

Also Recommended • • •

PERSONNEL MANAGEMENT—ITS ASSETS AND LIABILITIES. By Peter F. Drucker. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), June, 1954. 75 cents. In this article, which is almost certain to arouse considerable controversy, Mr. Drucker expresses the view that everything of importance that we know about personnel administration was known in the early 1920's —that there have been refinements, to be sure, but real progress has been negligible. For whatever comfort it may give the reader, he concludes with the prediction that the *next* 20 years should be a period of far greater accomplishment in this field.

THE MODERN CORPORATION AND THE NATION'S HEALTH: A SYMPOSIUM. *Industrial Medicine and Surgery* (605 North Michigan Avenue, Chicago 11, Ill.), May, 1954. 75 cents. This symposium, featuring the highlights of papers originally delivered at the recent Industrial Health Conference in Chicago, includes a discussion of the role of the medical school in industrial America by Dr. George P. Berry, Dean of the Faculty of Medicine at Harvard, a paper on medicine in industry by Robert C. Page, M.D., and another on the role of the modern corporation in promoting the nation's health, by Meyer Kestnbaum.

A SLIGHT CASE OF OVERCOMMUNICATION. By Perrin Stryker. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), March, 1954. $1.25. Management's best-known "communications problem" is too little information. But too much information can also be a problem. The experience of a small Pennsylvania company, recounted here, suggests that we may be hearing more about the hazards of overcommunication.

THE PLACE OF THE ARTS AND SCIENCE GRADUATE IN INDUSTRY. By Donald S. Bridgman. *Journal of College Placement* (2705 Fidelity-Philadelphia Trust Building, 123 South Broad Street, Philadelphia 9, Penna.), March, 1954. $1.00. Discusses the record of arts and science graduates in the Bell Telephone Companies and the Western Electric Company and ways in which such organizations can utilize their assets most effectively. The greatest weakness found in these graduates, according to the author, is their relatively high rate of turnover in the first few years of employment, resulting from less definite vocational goals and less satisfactory work attitudes than those of professionally trained employees. Among their potential advantages are the ability to express themselves more effectively in writing and speech, a greater sensitivity to the reactions and motives of other people, and a better understanding of economic and political trends.

A PSYCHOLOGIST'S VIEW OF RETIREMENT PROBLEMS. By George K. Bennett. *Industrial Medicine and Surgery* (605 North Michigan Avenue, Chicago 11, Ill.), May, 1954. 75 cents. The author, who is president of The Psychological Corporation, is convinced that flexible retirement policies are not feasible at present because of the lack of adequate techniques for evaluating the work potential of the older person—whether he be a production employee, office worker, or manager. He feels that it is wholly possible, however, that sufficient information will have been amassed a few years hence to provide a sound basis for such policies.

HOW 1200 EMPLOYEES WERE TOLD "WE'RE MOVING." By Margaret L. Jones. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), May, 1954. 75 cents. Only 139 employees out of 1,200 did not stay with General Foods when it packed up headquarters recently and moved from New York City to a Westchester suburb. This article tells what the company did to solve employees' financial problems arising out of the relocation and to make it otherwise attractive to them. Quoted at length are the various communications—all very well handled—which employees received from management, announcing the move, informing them of company policies on the subject, and keeping them posted on developments.

EDITING FOR EMPLOYEES WHO READ HARDLY ANYTHING. By Audrey E. Heusser. *Personnel Journal* (Swarthmore, Penna.), April, 1954. 75 cents. If the house organ is to be an effective medium of communication, the editor should know how to make it appealing to people who only thumb through most printed material, reading a snatch here and there. The author's very helpful suggestions on reaching "reluctant readers"—who constitute a substantial part of the audience in the average company—are applicable not only to house organs but to most other types of employee publications as well.

TEN WAYS TO SAVE OFFICE SPACE

RECENT INCREASES in office responsibilities and personnel have accentuated the long-standing problem of finding adequate office space. Frequently, the solution lies not in obtaining new space but in using the present space more effectively. The following suggestions are offered to that end.

1. *Microfilm storage records.* Most companies face the big problem of finding suitable space for storing the ever-increasing number of records, reports, contracts, and accounting data. Renting space outside the business district or in storage warehouses will not always solve the problem. Often microfilming records and other data which must be preserved is a practical solution.

Some companies microfilm current filing material, as well as items designated for storage. The day-to-day microfilming of items having lasting value relieves the bottleneck which often arises when filing material is filmed only at intervals.

2. *Use five-drawer filing cabinets.* Five-drawer filing cabinets which stand no higher than the four-drawer cabinets are being manufactured. This increases filing capacity by 25 per cent, a significant figure when it is considered that a legal-size file requires from 7 to 10 square feet of space (including working space in front of the file).

3. *Use functional equipment.* Industry uses an average space allocation of 60 square feet per employee including desk area, working area, and pro rata space for aisles, area for lockers, and other nonproductive space. This calculation is based on the traditional standard desk, which measures 60 inches wide by 34 inches deep.

The utility desk, measuring about 24 to 28 inches deep and 48 inches long, will save up to 6 square feet of space per desk. The unit desk arrangement, whereby desks are grouped into units (of related work), will save space varying from 15 per cent to as much as 30 per cent. Center or wing partitions can be used if privacy is required. Functional equipment will help solve the space problem.

4. *Standardize size of private offices.* A Midwest trade association, having moved into new quarters, ran into practically no opposition from its executive staff when they were told that the allocation of space would be standardized. The policy of share and share alike by the executive class avoids misunderstandings and hurt feelings.

5. *Provide standard aisle space.* Aisle space should be standarized both as to width and location. The aisles should be straight and should aid traffic flow in the office. When standards are not established and followed, either space will be wasted by too-wide aisles, or space savings will be more than offset by decreased efficiency attending crowded conditions.

6. *Arrange the office to suit the work flow.* If management wants to utilize office space effectively, an analysis should be made of the flow of paperwork by major or principal routines. It is reported that before Frank Lloyd Wright designed and laid out the modern S. C.

Johnson & Son, Inc., building in Racine, Wis., a careful study of the work flow was made so that the space would be allocated according to need and located to reduce necessary movement to a minimum.

7. *Use movable partitions.* The use of movable walls permits office space to be reallocated whenever the need demands. One fault with the permanent type of wall structure lies in the cost of removal and reconstruction, which often becomes an obstacle to necessary change.

8. *Reduce the number of partitions between departments.* Open and unrestricted office space is ideal for ease of paper work flow and efficiency of space utilization. Partitions, regardless of their use, complicate the flow of work. A more flexible and practical use of space can be achieved in 1,000 square feet of open space than can be developed in the equivalent two areas of 500 square feet each or four areas of 250 square feet each.

9. *Provide centralized reception space.* One centralized reception room, as compared with several decentralized reception rooms adjacent to private offices, will save considerable space. All savings which arise from centralization and standardization are accompanied by varying degrees of personal sacrifice and inconvenience, a price of modern technology and improved practice which management must pay.

10. *Provide a centralized company library.* The retention of duplicate and triplicate copies of magazines, technical books, and other publications so necessary for present-day operations wastes space. More and more companies are providing an adequate number of subscriptions to these publications as part of their program for keeping their executive staff currently informed on business and industrial development. These copies are routed among the junior staff after the senior executives have finished reading them. They then go to a central reference library where only one copy is retained. This saves considerable space in the departments and provides a permanent copy for future reference.

—Harry L. Wylie. *American Business,* Vol. 24, No. 2, p. 17:2.

DICTATING BY TELEPHONE

Machine dictation is going through a change that promises within a short time to make it as simple, quick, and efficient as dialing your phone.

What's happening is called telephone dictation. All you do is pick up the telephone, dial one or more digits, and start talking. Your dialing puts you through to central dictation, automatically selects one of a battery of dictating machines that isn't busy, and sets the machine to recording your letter. By dialing various digits, you get a partial or full playback, signal the end of the letter, or make corrections. Stenographers in a central pool then pick up the recording, type it for you, and route the finished letter back to your desk ready for signature.

Such a system does a number of things:

It cuts down the number of fairly high-priced ($300 each) machines necessary to provide a large office staff with dictating facilities. A ratio of 12 persons, or even more, to one recorder in the central steno-

graphic room is practical, without delays or what the industry calls "collision."

It speeds the processing of dictation. Instead of accumulating enough letters to fill a recording before starting to dictate, or waiting until a recording disc is largely used up before sending it out for transcription, a dictator can handle each letter as it comes along, getting it processed at once.

It leaves the mechanics of handling the recording device to central dictation. There's nothing on the dictator's desk except his inter-office phone.

It eliminates transportation of recordings to central stenographic pools by office messengers.

Telephone dictation is actually still in its infancy. The Ediphone Division of Thomas A. Edison, Inc., claims to have been the first in the industry to introduce a model, but just about every manufacturer in the field either is marketing telephone dictating equipment. A variety of devices is already in use.

Ediphone says its biggest seller by far is the manual selection arrangement that links a dictating station to three, four, or five "Televoicewriters," allowing a person to pick out any one of the machines that isn't in use. Other Ediphone installations combine their own wiring system with an internal telephone circuit handset on the user's desk. This permits him to use the handset either for dictation or for internal calls.

Dictaphone's Telecord system uses no separate wires. It uses the already-installed wiring and dialing equipment of the internal telephone system. This is an attractive feature for companies that do not want another separate wiring system apart from their internal phone circuits.

—*Business Week*, No. 1253, p. 95:3.

An Old Skill Regains Some Ground

PENMANSHIP, an almost forgotten art in this age of complicated calculators and dictating machines, has come back into the limelight, a report from an industrial plant indicates.

Clerical employees and supervisory personnel at Minneapolis-Honeywell's plant in Philadelphia are going back to school, on company time, to brush up on their handwriting skills. The penmanship instruction, conducted in weekly half-hour sessions over a 12-week period, will deal primarily with number formation, according to C. L. Scheetz, training director for the firm's Industrial Division.

Actually, America's primary instrument for keeping work reports and other day-to-day statistical accounts is still the common pen or pencil, Mr. Scheetz points out. Before they can be fed into punched card systems, basic records must be hand-gathered and hand-copied in the plant. And studies have shown that most mistakes in this elementary arithmetical process are copying or reading errors.

For example, an employee's poor formation of numerals often makes 5, 3 and 8 hard to distinguish from each other. The numerals 1 and 7 also are easily confused.

The Minneapolis-Honeywell training program will also be designed to improve the employees' "visual memory"—i.e., their awareness of the details characteristic to each numeral—thus speeding up their recognition of the numbers. Early results indicate that women have the best eye for recognizing numbers.

By improving the coordination between eye, hand, and brain, the program is expected not only to increase clerical accuracy but reduce office fatigue.

CENTRALIZED VS. DECENTRALIZED FILES: WHICH SYSTEM FOR YOUR COMPANY?

TODAY OPINION is sharply divided on the question of centralization versus decentralization of active, current files. Why? Though everyone will agree that no organization should permit bits and segments of its records to be scattered at random throughout the company or arbitrarily force centralization of records, regardless of the practical needs of offices which must use them, disagreement will arise as to how to avoid these two extreme conditions.

Consideration of the following factors may be helpful in leading to a solution of this problem:

1. *Use.* If a block of records is used almost exclusively by a certain unit, those records should probably be placed in that unit. Conversely, if a record is to be used jointly by several offices, it should be placed where it is most accessible to all its users.

Sometimes records may be claimed by several organizational elements. Decision should then be based on a test-check of how often and how long the records involved are used by each element. The general rule here is to place records at the point of their heaviest use.

2. *Time.* In organizations where service must be provided on an "at once" basis, it may be unwise to centralize records, since it is difficult to place the central files close enough to the office to be served. In other organizations, where time is not so prominent a factor, satisfactory records service may be provided from points not so conveniently located in relation to using offices.

The general rule should be to place records where they can be made available to the most users in the shortest amount of time.

3. *Space.* If records are to be centralized, try to select space that is free of structural obstacles which interfere with a rapid, forward flow of work. If possible, the space should be near elevators, stairwells, mailroom, tube system and other service facilities. It should be checked for its ability to withstand the anticipated floorload. Excellent lighting, natural and artificial, should be provided.

As far as space is concerned, therefore, the general rule should be to centralize only when records space meets the above conditions.

4. *Security.* Because access to some records must be limited, it may be necessary that they be filed separately from other records. Valuable records should also be protected from the elements, rodent and insect damage, vandalism, theft, and the hazard of war. The general rule from the standpoint of security should be to place records bearing security classifications where they will be properly safeguarded.

5. *Cost.* Theoretically, centralized filing provides maximum economies in space, equipment, supplies and utilization of personnel. However, it can be the most expensive method, if established without due regard for use, time, and control factors.

Uncontrolled decentralization is also an open invitation to high operating costs. Lack of uniformity in systems and procedures results in the purchase of special, non-standard equipment and supplies. Duplication of copies or of entire files consumes space and equipment.

The general rule here is to centralize records for economy if other factors are favorable to centralization. Otherwise, decentralize under central control.

6. *Control.* Regardless of where files are located, successful operation will be influenced by the existence or absence of controls. Control over access to the files, control through use of a uniform classification and filing system, control through standard operating procedures, and control through published, thoroughly distributed records policies are just a few of the many necessary controls.

The general rule is to centralize records to narrow the span of control, if factors are otherwise favorable to centralization. If decentralization of records is called for, make central control a must.

7. *Personnel.* While employees who work with central files may become expert in their profession, they are not likely to learn as much about specific aspects of the company's business as personnel of decentralized files.

For less turnover, better understanding of local needs, and less chance of friction, the general rule is to decentralize records with central control and coordination.

8. *Documentation.* Under favorable conditions, centralized filing should provide the best opportunity for complete documentation of an organization's activities. The span of control over the records needed for documentation purposes is narrowed, and the records can be organized and coordinated according to a uniform plan.

The general rule of documentation should be to centralize physically, if practicable. Otherwise, decentralize with restraint, under central control.

9. *Type of Records.* The great bulk of a company's records practically clamor for some degree of centralization. For example, procurement records should be centralized in the procurement office, personnel records in a central file in the personnel office, and budget voucher, contract, transportation, and similar records concentrated in the offices responsible for those functions. The general rule here is to establish central files for such records.

10. *Size of Organization.* The larger the company, the less chance there is for satisfactory mass centralization of records. Unless a building was designed to permit rapid transmission of records from floor to floor, it is usually necessary for records to be placed on several floors accessible to using offices.

In considering the size-of-organization factor, the rule is to take into account the natural division of the organization into floors, bays, wings, and buildings.

After all factors have been considered and decision reached as to whether to follow a centralized or decentralized files plan, a further step is to formalize and clarify the plan. Designate each of the points where official files are to be maintained as "official file stations." A policy directive should be issued that (1) gives the organizational and physical location of the official file stations; (2) lists the offices to be served by each station; (3) identifies the types of records to be maintained at each station; (4) allocates responsibility for their efficient maintenance and adherence to standards; (5) prohibits the maintenance of official files at other than designated official file stations; and (6) assigns responsibility and authority for their coordination to a central source.

—TERRY BEACH. *The Office*, May, 1954, p. 67:6.

HOW TO SELL THE NEW FILING SYSTEM

IT'S AN OLD STORY that people tend to get into a state over changes of any kind. As far as bosses are concerned, however, it is generally known that nothing causes quite such an uproar as the suggestion that they loosen their grasp on some of the stuff in their filing cabinets.

"A man will hang on to an insignificant memo as though it's all that stands between him and the atom bomb," according to Dorothy Knight, who was in charge of reorganizing Lever Brothers' acres of files when all divisions of the company, dispersed in Chicago, Boston and New York, were united under one roof in New York.

As Records Supervisor at Lever's, Miss Knight had the job of analyzing the files of the firm's three divisions and deciding what material could be destroyed, stored in headquarters vaults, kept in the central filing section, or left in the various departments. She also had to organize the files and plan for continuing analysis and reorganization. Lever Brothers ended up with more than 5,000 file drawers, about a third of the number it had before the reorganization started.

When you're dealing with higher-ups, the steamroller act isn't politic and won't work, Miss Knight asserts. There would be too many people trying to prove that your ideas weren't workable. Essential to tactful handling of balky record hoarders, therefore, is genuine understanding of the fact that emotions are involved. Here are two of the major factors to be considered.

1. The department head has usually been responsible for the present organization of his own files. Put yourself in his place and you'll realize that he'd have to be superhuman to welcome someone else's filing method as being acceptable.

2. It is essential to the safe conduct of many aspects of business that certain dealings be down in black and white and that records of them be kept, perhaps indefinitely. But there's also the fact that many people feel the need to protect themselves. And this motive is sometimes extended to the point where it becomes an end in itself.

Though some department heads at Lever Brothers agreed to the analysis of their files, they were hesitant about losing any of the material to central files or the vaults, or about any changes in the arrangement. Miss Knight found it persuasive to draw up a list of existing conditions and a corresponding list of recommendations which would remedy those conditions.

It is her experience that when department heads are faced with this kind of irrefutable evidence, reasonableness comes to the fore. Here is a list of typical defects:

Duplication of records in two or more files.
Separation of related material in various files.
Inactive records that should be transferred to storage.
Absence of a standard file classification.
Lack of file control.
Absence of proper housing for oversize material.

When such a list, supplemented with proper recommendations, reaches a department head, he usually passes it on to his people to find out what they think about it. They will generally see the benefits of the new method and report this to their boss.

—*Supervisor's Personnel News Letter* (Bureau of Business Practice), February 15, 1954, p. 2:1.

Wanted—Better Business Forms

TWO OUT OF THREE businesses believe the efficiency of their operations could be improved right now if suitable business forms could be found for the job, it is disclosed in a research study, "How Business Forms Are Bought and Used," released recently by the magazine *U. S. News & World Report.*

Conducted among a representative group of more than 2,000 businessmen, the study also disclosed that during the past year 73.7 per cent of the respondents involved put into use new or revised business forms. Almost half of the firms covered use continuous business forms, and more than 85 per cent use single business forms.

Concerning the approval of a new business form, the survey results showed that approval comes from management in 85.9 per cent of the cases, from department heads and their assistants in 69 per cent of the cases, from other supervisory personnel in 16 per cent, and from non-supervisory personnel in 5 per cent. (In many cases approval is sought from more than one level of responsibility.)

The survey showed that 35.2 per cent of the respondents design their own forms, 6.5 per cent consult with a business form manufacturer for advice, and 58.3 per cent use a combination of these methods.

—*Office Executive* 5/54

Also Recommended • • •

OFFICE AUTOMATION: BEGINNING OF AN ERA. By R. Hunt Brown. *Office Management,* (212 Fifth Avenue, New York 10, N. Y.), May and June, 1954. 25 cents per copy. While broad-scale automation of office work is inevitable, it has been slow in coming and probably will be an evolution, rather than the revolution that some have predicted. However, management has a responsibility to investigate such office electronic equipment as is already available and to analyze its own office operations to determine whether automation of certain office routines—perhaps on a modified basis—is not already feasible and desirable.

IS INVESTMENT IN AIR CONDITIONING SURE TO PAY OFF? By Wells Norris, *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), April, 1954. 35 cents. This article, the first in a series, examines the advantages of air conditioning in the office—e.g., increased worker efficiency (estimated by one company at 30 per cent), fewer shutdowns, lower cleaning and maintenance bills, etc.—as against the costs of installing and maintaining an air conditioning system. One of the most important questions to be decided—depending upon the size of the area to be cooled, age of the building, and other factors discussed here—is whether to install a central system, a "packaged" unit, or use individual room conditioners, (which can be installed in most private offices for as little as $300).

THE THINKING OF MEN AND MACHINES. By John H. Troll. *The Atlantic Monthly* (8 Arlington Street, Boston 16, Mass.), July, 1954. 50 cents. Though we have become used to machines that are more powerful, more durable, more accurate, and faster than we, we are jealous and half-fearful of the so-called thinking machines, envisioning a nightmarish future in which these devices will completely control our lives. However, the "thinking" of these machines can only be as good as the rules they have been taught to follow, the author assures us, and these rules result from such singularly human processes as the forming and organizing of ideas and the connecting of these ideas into larger entities. Even the most complex, advanced computers will not replace creative thought, the author concludes.

BETTER CONTROL THROUGH PROBABILITY STATISTICS. By Alex L. Hart. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), May, 1954. 50 cents. While figures lie at the heart of any control system, they are quite useless if they cannot be accurately interpreted for control purposes. Probability statistics are the answer here, in the author's view—the most scientific way of getting the maximum useful information from existing data. He describes their use, and urges that management investigate and experiment with this promising science as one means of reversing the rising trend of office administrative and clerical costs.

PROOF THAT SAFETY CONTESTS PAY OFF

To most management men faced with the decision to authorize a safety contest, the basic question is not whether any good will be accomplished, but how much—whether frequency and severity rates will be lowered sufficiently to justify the expense of running the contest.

At Lehigh Structural Steel Company, management got the answer. It was a very definite affirmative.

Here is the record: From October, 1939, through October, 1953, there were 100 months during which Lehigh held no safety contests. The frequency rate during those months averaged 6.01 lost-time accidents per million man-hours worked, and severity averaged 0.615 days lost per 1,000 man-hours.

But during the safety-contest months, accident frequency was nearly 43 per cent below the period when employee interest was not stimulated by contests. Moreover, the severity rate dropped by 44 per cent.

For a number of years Lehigh had followed the plan of giving each employee an award at the year's end for accident-free performance over the 12 months. This scheme emphasized reward at the end of a long period for safety performance completed. Coupled with the company's regular accident-prevention and safety education program, it enabled Lehigh to chalk up a record of eight and one-half years without a lost-time accident.

But eventually the reward system lost its effectiveness and the accident frequency rate crept back up.

After much discussion, Lehigh's safety council decided that an award only once a year was insufficient incentive. So the company changed its policy from making an award after a record was established to one of making awards to establish safety records.

From August, 1949, to the present, Lehigh has run safety contests almost continuously. Contests have taken several forms, with frequent small prizes for safety slogans, suggestions for safety improvements, or number of accident-free days worked.

One of the most successful contests used was "Safety Poker." Workers were given special playing cards, chosen at random, for safe periods worked. After a number of cards were passed out, prizes were given for the best poker hands.

Contests can cost as little or as much as desired. The "Safety Poker" contest cost the company $100 per week (for 500 employees) while it was running the first time in 1949. Lehigh is presently operating on a contest budget of about $1,000 per year.

In setting up a safety contest, it is well to keep the following points in mind:

1. Type of contest and method of handling should be adapted to the individual plant.

2. Contests must stimulate interest, and must be fun.

3. Contests should be run by a committee composed of supervisors and other employees.

4. Type of contest should be changed

from time to time, but the contests should run continuously.

5. Contests should always offer a number of individual prizes.

6. *All* employees should participate.

7. The contest should be promoted vigorously and publicized in the company's house organ.

Contests, of course, are only a means to an end. They are no substitute for daily watchfulness and continuous safety education. The safety job is never really finished until every worker is safety-minded to the point where he works safely, not to avoid discipline or to win prizes, but for his own benefit and that of his co-workers.

—GEORGE J. NEUMANN. *Iron Age*, July 1, 1954.

BEATING THE HIGH COST OF SHIPPING

THOUGH there's not much management can do about rising shipping costs except pay them, there's a great deal it can do to spot uneconomical shipping practices and substitute less expensive ways of moving freight. Unfortunately, in many companies lax practices that crept in during the boom years have still not been reviewed and overhauled.

Here's a practical five-point program for reducing your transportation expenses —as both seller and buyer:

1. *Put one key man in charge of shipping operations and give him both the responsibility and the authority needed to find your weak spots—and correct them.* His major responsibilities would be to set up—and keep up—a complete Rate and Routing Guide; to look into alternative routes, carriers, and shipping or receiving methods when carriers change rates; to check all shipments returned by customers because of damage, consulting with production and packing, as well as with the carrier, to see how such losses can be eliminated in the future; to keep a constant eye out for cutting shipping costs by examining every aspect of your firm's operations that affect freight charges.

2. *Start a Rate and Routing Guide* (*or bring it up to date if you already have one*), *in which all the information needed to select the best carrier and best route for any shipment can immediately be found.* The following basic information should be contained in every Rate and Routing Guide: names of all railroads, airlines, and trucking companies serving the major cities with which you deal; names and routes of connecting carriers, when necessary; the Railway Express scale, Parcel Post zone, and Post Office class of each city to which you ship or from which you receive shipments; the basic freight rates to each city for each carrier; the average time needed to move goods by each shipping method. If your shipments involve a variety of items, the Guide should include data covering the freight classification of each different product, and the rating for each.

In making any study of relative shipping charges, however, remember that it isn't just the cost of transportation that's the deciding factor, but rather the overall benefit to your company that a particular method of moving goods will give.

3. *Check on whether your company might benefit by joining a shipping pool*

or using a freight forwarder. Such arrangements give companies which ship small quantities of goods the benefit of carload freight rates and through-car service. Savings are considerable.

Even though no cooperative groups are available at your shipping and receiving points, you can operate what amounts to a shipping pool of your own by using the services of a "packing house" or consolidating service.

In addition, many of the freight forwarders who ship in less-than-carload or less-than-truckload amounts are offering new and improved services. Firms using forwarders benefit from through-car speed and handling, reduced paperwork, and generally lower shipping charges.

However, there are drawbacks to check before you decide to use a freight forwarder. For example, the length of time that the forwarder holds your goods to make up a carload for the same destination or break-bulk point may more than offset the time saved on his through-car service. If the forwarder does not have a through-route to your shipping destination, your goods may be unloaded and reloaded several times with resultant damage and delay.

4. *Check your "hidden" shipping expenses.* The high cost of shipping is often due to company operations that have nothing at all to do with routing or choice of carrier. Here's where the key man you put in charge of shipping can make a major contribution. By checking the following points, he may be able to suggest new operating methods which would permit lower freight charges:

In the shipping room: Are schedules worked out so that shipments are always ready for the carrier's normal pick-up? Do your shipping clerks always check the invoices when specifying insurance valuations? Does your shipping room take pains to avoid partial shipments on single orders unless authorized by the customer? Do you pay shipping penalties because of the way you pack your goods? Do you review freight rates and product classifications regularly in order to ship at lowest possible cost?

In purchasing: Do you order supplies in sizes and quantities which will permit the most economical shipment? Do you check the cost of shipping and the time of delivery when you're looking for a new supplier? Do you check f.o.b. terms carefully when comparing bids?

On the production line: Do you check the weights and sizes of your products against the latest traffic rates and restrictions? Are you doing assembly jobs that could be left to your dealer, distributor, or customer? When you're faced with a rush order, do you strike a balance between extra freight charges and higher production costs?

In your sales effort: Do you make realistic estimates of delivery time in view of your own past experience and current plant schedules? Do you check the weight of customers' orders to insure low-cost, rapid delivery? When you offer customers a "package deal" to promote sales, do you check rates and classifications to make sure that the cost of shipping the mixture won't wipe out the saving to the customer?

In your accounting practices: Do your bookkeepers systematically check prepaid postage or freight charges on incoming packages against actual billings? Do you check freight costs for which you're charged against the shipping instructions you actually gave? Have you made any attempt to cut accounting cost by reducing your record-keeping to a minimum? Have you figured out how much you

might save by using a freight audit bureau?

5. *Take a close look at the new services now being offered to shippers.* One of these new deals in shipping may change your whole shipping picture.

In the search for cheaper and faster shipping, some companies are experimenting with a combination of speedy air cargo shipments and cheap Parcel Post delivery. This method offers a particular attraction for companies that ship a large number of small packages to many different firms within the same—but distant—general area.

To speed long-haul deliveries, loaded truck trailers are driven onto railroad flatcars and staked down for movement by rail. At the destination city the trailers are driven off the flatcars and straight to the door of the receiver. This ingenious idea offers the flexibility of motor freight service on pick-up and delivery without its heavy cost on long hauls.

A major bottleneck of air freight has been the generally poor sorting and delivery facilities offered when air cargo reaches its city of destination. A new service offered by United Parcel Service has succeeded in eliminating this headache.

—*Operations Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), April 9, 1954.

Sleuthing for Health Hazards

A "ROGUES' GALLERY" helps Westinghouse Electric Corp. reduce employee lost-time. Last year only one man-hour per 100,000 was lost at Westinghouse because of industrial ailments.

The "rogues' gallery" is a card-index of more than 7,000 different materials used by the company in manufacturing processes and personnel equipment. It lists all the "criminal elements"—health hazards that may cut efficiency, cause lost-time, or interrupt production.

"Suspects" are checked by squads of health "detectives"—trained physicians and industrial hygiene engineers. They scour every one of the company's 87 plants and search out every potential cause of illness or injury.

Chemicals, dust, vapors, solvents, goggles, tools, slippery floors, radiation, protective clothing—even the soap in the washrooms—all are scrutinized and tested for toxic or other undesirable qualities. Because slips and falls account for approximately one-fourth of all industrial accidents, great care is taken with floor waxes. New materials get a "security check." Every item is considered "guilty" until proved innocent.

Like any good police force, the sleuths work on the prevention principle—trying to spot the possible hazard before it does its damage.

—*Medical Advance* (The National Fund for Medical Education) 4/54

I FIRMLY BELIEVE that we are justified in our assumption that the year 2000 will find our grandchildren looking back to mid-century with pity—pity because of what they will regard as the harsh, primitive life we lead today. Our scientists and technologists can look back with pride, but they have barely knocked on the door of molecular and atomic understanding. If we do not miss our chance, a new and wonderful world awaits us.

—HENRY E. FORD (Director of Research, E. I. du Pont de Nemours & Co.) as quoted in *Industrial Research Newsletter* (Armour Research Foundation, Illinois Institute of Technology) 2/54

EFFECTIVE MAINTENANCE REPORTS: ONE COMPANY'S EXPERIENCE

SOONER OR LATER every company will have to buy good maintenance. It has become clear that a dollar saved by efficient maintenance is worth several times an extra sales dollar.

It's the duty and responsibility of the maintenance executive to do the selling—in other words, to keep top management informed on maintenance activities. Basically, his reports fall into two categories: (1) requests for approval, and (2) for-your-information reports. The latter include regular periodic reports on regular maintenance functions and progress reports on special projects or programs. They go to higher and middle management, as the case requires.

There are good and poor ways to draw up requests to management. Here are some basic pointers:

Keep the request brief. If possible, limit it to one page. On detailed reports that require more space, summarize the important facts on the first page, and attach other pages of background information, tables, calculations, and so on.

Explain what the project is. Show where it fits into the existing plant. Add graphs, diagrams, or photographs if they will help to clarify the project. But don't be too technical about it—you might confuse management and lose the sale.

Explain why the project is needed. This refers to physical or operating conditions that management should know about.

Explain what savings are expected. Talk dollars and cents wherever possible.

Explain what the project will cost. When it comes to changes or improvements, these last two factors can make or break the sale. If you want management to approve, the project must measure up. At Perfection Stove Company, we like to have the savings pay for the cost in one year. On long-term permanent projects, such as an air compressor installation, management will react favorably to a 5- or 10-year recovery of cost from savings.

Projects that call for large expenditures or are impossible to document for expected savings are the hardest to justify and face the biggest risk of a turndown. Our method for selling them is this. We outline the entire program, but only request authority to start one phase of the work. Thus results of the trial can be used to extend or stop the program. Since this approach calls for smaller amounts of money, and is well controlled, management is usually willing to go along. If the trial is favorable, you'll have an easier time getting an extension of the program according to the original outline.

We have two main types of information reports at Perfection. On large projects we feel it is well to draft brief "status" reports weekly or monthly, or even daily if necessary. As for regular periodic reports, we've found a monthly report to be most satisfactory. We assemble our data from regular departmental records which are available for summarization on the second day of the new month. Management gets the complete report one or two days later.

Our monthly report runs to four pages. The maintenance clerk compiles all the statistics as called for on a preprinted "fill-in" form. At times we add graphs for greater effectiveness.

In general, the report covers the following: (1) breakdown of monthly maintenance labor charges; (2) costs of all utilities; (3) breakdown of extra maintenance and overtime costs; (4) number of maintenance personnel by crafts and type of work; (5) backlog of approved work; (6) breakdown of departmental work; (7) departmental and equipment meter readings; (8) estimated gas consumption by major equipment. All these statistics may not be important to every company. The guiding principle in building such a report is to select only those data that help you give management a quick picture of maintenance operations.

For example, we issue a "summary departmental breakdown," which is a recap of the minor maintenance hours spent in each of 56 departments, and on standing order jobs under $10. This category accounts for almost half of our maintenance hours (excluding janitorial). By comparison of the current month with the past month and the average of the last six months, we can spot deviations and thus exercise control over these minor jobs.

Once a report like this is established and proved a useful tool, management will accept it as an aid in making decisions on maintenance operations.

—ARTHUR D. BUSCHMANN. *Factory Management and Maintenance*, April, 1954, p. 130:2.

Safety Stimulators

VARIETY IS THE SPICE of a sound safety program. By varying the pace and application of interest-getting ideas, safety programs can be kept active and successful. Here are just a few of many ways to stimulate safety interest:

Safety Derby. One firm successfully uses a horse-race display board to show how many accident-free hours each department has worked. Such a display encourages healthy rivalry between departments.

Rule Quizzes. From time to time, check up on employees' understanding of safety rules with a quiz, "skull session," or question period.

Accident Diagram. A chart showing the outline of a man can be effectively used to record the number of head, body, arm, hand, leg, and foot injuries. This can be helpful in calling attention, for example, to an excessive number of hand injuries.

Making the Most of Posters. Be sure to place safety posters or bulletins in attention-getting or accident-possible locations. Also, change posters often enough to assure variety and "freshness" of messages.

"Near Misses." Display protective equipment or clothing which has prevented serious accidents. (For example, crushed goggles, scarred safety shoes, or singed fireproof clothing.) Supplement displays with a brief account of "near misses." If possible, use pictures.

Emblems and Awards. Consider ways to give recognition to individual employees for good safety records or for successful safety suggestions: emblems on equipment; recognition pins; safety honor-roll mention; citation letters; special prizes or awards; etc.

Safety Committees. A safety committee with employee members can do much to stimulate interest in accident prevention, by making periodic inspections and meeting to discuss safety problems.

—*Management Information* (Elliott Service Company, 30 North MacQuesten Parkway, Mount Vernon, N. Y.) 5/17/54

COMBATING INDUSTRIAL NOISE: A CASE STUDY

RECENT STUDIES of the effects of noise in industry and their physical and economic implications have increased management and labor interest in noise control.

Most of these studies, however, merely outline the major uncertainties which make the establishment of standardized tests and measurements difficult. To develop a specific program for controlling noise, management at Allis-Chalmers undertook a series of investigations. The resulting program—which, we feel, is moving toward the ultimate control of our noise problem—embodies the following recommendations:

1. *Plant Surveys.* First of all, a spot check of the plant should be made with a sound-level meter to learn how much noise there is in the plant and where it is. Where the noise level is 95 decibels or above, a program of audiometric examinations may be in order. These spot checks should be followed by a complete sound-level survey of the plant. After the plant is surveyed, a sound-band analysis should be made at locations where sound-level readings above 95 decibels have been obtained.

2. *Audiometric Examinations.* All new employees should be given a pre-employment audiometric examination. For statistical purposes, it is desirable to take an audiogram on a pure-tone audiometer in the frequency range of 125 to 12,000 cycles, even though the range ordinarily used is 250 to 8,000. It is also important that the age, sex, previous occupation and military service record of the employee be recorded, so that the examiner can get some idea of the employee's previous exposures to noise.

It may be interesting to know that in checking over 6,000 pre-employment audiograms, it was found that 27 per cent of our new employees had some type of audiometric loss.

New employees going into areas where sound-level readings are above 95 decibels should be re-checked before their probationary period has ended (in many plants this is three months) and then again six months after this examination. Thereafter, they should be re-examined yearly. If periodic physical examinations are given, the audiometric examination should be made a part of it. Eventually, all employees should be covered by audiometric examinations.

3. *Job Placement and Transfers.* If an employee shows a significant loss of hearing on the recheck, he may have a noise-susceptible ear. If so, he should be provided with the best possible hearing protection and sent to a competent otologist for further study. Thus far, we have not found sufficient factual information to justify transferring an individual from a noisy environment to a less noisy environment, except where the hearing loss is progressing despite protective measures.

4. *Records.* The noise level at which the employee works should be entered on his audiometric record. Audiograms should be kept on file by the medical department as a part of the employee's medical record. The sound-level survey and noise abatement data should be centrally located and available to all parties concerned.

5. *Audiometer Room.* If audiometric examinations are to be conducted on the premises, they should be taken in a room which is preferably a part of the first aid facilities and where the noise level is 50 decibels or less. However, any room can

be used for audiometric purposes, if the noise level in that room is reasonably constant, has been measured, and is such that it does not interfere too much with the audiometric tests in the lower frequencies. At Allis-Chalmers we have found it practical to train our own audiometer technicians.

6. *Noise Abatement.* Noise abatement committees made up of members from the maintenance department and shop supervision were appointed. The Hygiene Section of our Health and Safety Department cooperates with these committees, acting in the capacity of staff assistants.

In the limited time that the committees have been functioning, it has been found that a good share of the noise in the shop can be reduced through good maintenance of machines and equipment. For example, at a number of locations where loose gears and bearings were replaced, the noise level was reduced by 8 to 10 decibels. Also, by replacing metal safety guards with wire-mesh safety guards, a low-frequency hum was reduced by 10 decibels. Covering metal bench tops with wood reduced the noise level by as much as 15 decibels.

One interesting finding of the committees was that the indiscriminate use of acoustical material, in the absence of competent acoustical engineering, will not always bring about the desired results.

The above program may give some idea of what can be done by a practical approach to the so-called noisy operations in a plant. It also shows that changes can often be made without spending large sums of money.

—W. F. SCHOLTZ. *Connecticut Industry,* March, 1954, p. 17:3.

Metalworking—Industrial Pace-Setter

SINCE 1939 the total number of U. S. metalworking plants has more than doubled —from 27,000 to over 54,000, according to a study recently completed by *Steel* magazine. Most of the gain took place during the war years, but except for a slight dip from 1947 to 1950, growth has been steady. In fact, there has been a net increase of 5,000 plants of all sizes since 1950. Among the 24,644 plants employing 20 or more persons, 3,679 were added from 1951 through 1953.

More than half of the plants employing 20 or more persons are located in New York, Ohio, Illinois, Michigan, and Pennsylvania, the study shows. Twenty per cent are in New Jersey, Massachusetts, Indiana, Connecticut, and Wisconsin. But California is now in sixth place, right after Pennsylvania, and Texas has moved up to 12th position. Combined, these two states account for 10 per cent of U. S. metalworking and offer ample evidence of industry's persistent shift westward.

Measured two ways, metalworking is by far the biggest industry and continues to grow faster than the rest of U. S. industry. In 1947, it accounted for 41 per cent of the 15.2 million manufacturing employees. By 1952, it had 46 per cent of 17.1 million. Moreover, value added by manufacture rose from 39 per cent of $74.4 billion in 1947 to 46 per cent of $108.4 billion in 1952.

—IRWIN H. SUCH in *Steel* 6/7/54

IN A RECENT SURVEY, purchasing agents were asked whether inventory control was a purchasing department responsibility in their companies. Sixty-six per cent said it was; 26 per cent said it was not; 8 per cent acknowledged partial control of this function.

—*Purchasing* 3/54

Mobile Medics

WHEN IT'S TIME for field employees of two affiliates of Standard Oil Company (N. J.) to have their regular medical checkup, they don't have to go to the doctor—the doctor goes to them.

A 15-ton truck, with the appointments of a modern medical unit, is on the road the year round, traveling to 27 states where employees of The Carter Oil Company and the Interstate Oil Pipe Line Company are on the job. In this mobile unit, doctors of Carter's medical staff have everything they need to give complete medical examinations, which are a regular part of the company's health program.

The unit is air-conditioned, has hot and cold running water, a doctor's office, an X-ray room, and a laboratory in which tests may be run and X-ray films developed. It was designed by Carter's medical staff with the aid of company engineers.

—*Points* (Standard Oil Company of New Jersey) 3/54

Also Recommended • • •

HANDLING ANALYSIS—PREREQUISITE FOR COST CONTROL. By C. J. Schwarzer. *Flow* (1240 Ontario Street, Cleveland 13, Ohio), March, 1954. 30 cents. In describing how Westinghouse defines, determines, and controls materials handling costs, the author shows how these costs can be reduced in such areas as plant planning and layout, equipment supplier negotiations, shipping and traffic operations, plant transportation systems, materials handling improvement programs, and materials handling training. The article also discusses the advantages and disadvantages of automation as applied to materials handling, including among the advantages lower production costs, increased quality, and reduction of manpower fatigue. Typical forms used by Westinghouse in its materials handling operations are shown.

FIVE STEPS TO PRODUCTIVE MAINTENANCE. Available gratis from the General Electric Company, Schenectady 5, New York. This 18-page bulletin provides detailed information on organizing to meet the demands that automation will make on company electrical maintenance programs. Steps discussed include: (1) gathering equipment data; (2) determining the extent of routine maintenance work; (3) establishing a routine operating control system; (4) determining which items of equipment are critical to company operations; and (5) establishing a special maintenance program for critical equipment so as to keep down-time costs at a minimum.

MORE SALES EFFORT AT THE JOB LEVEL. By John M. Roche. *National Safety News* (425 North Michigan Avenue, Chicago 11, Ill.), May, 1954. 75 cents. Pointing out that selling top management on safety is only a small part of the total sales job, the author gives several suggestions for selling safety to the workers themselves. Group discussions, in which workers present their own ideas on various safety subjects, are the most effective means for reducing accidents, according to the author, who suggests that all safety material should call for employee participation, either actively or orally. The author also found that straight instructional posters, rather than those with the most attractive colors or cartoons, evoked the greatest interest.

INDUSTRIAL KNOW-HOW HANDBOOK. *Mill and Factory* (205 East 42 Street, New York 17, N. Y.), May, 1954. 766 pages. $2.00. This special feature issue, designed to bring the manufacturing company up-to-date information to help in increasing productivity and lowering operating costs, is divided into six technical sections: Electrical, Mechanical Power Transmission, Buildings, Materials Handling, Power Plant and Service Equipment, and Metal Working. Each of these sections opens with a brief digest of the recent improvements made in that area, with the remainder of the section devoted to information on equipment selection, installation, operation and maintenance.

BUSINESS IS MADE, NOT BORN!

TODAY AMERICAN business has not only an opportunity, but a tremendous responsibility, to prove that it can operate to the advantage of the economy as a whole and in the "national interest."

People have seen a miracle of jobs for all performed in America under wartime conditions; now they are relying on us in business to produce the yet greater miracle of better standards of living through better selling.

Fortunately, the market—people with money in their pockets—is there. And the business community in general is living up to its responsibility to invest in a free economy, to move ahead with confidence, to capitalize on its long-awaited opportunity.

The great majority of managements realize that a seller's market requires greater advertising and sales effort. Accordingly, they are capitalizing their past promotion by increasing advertising expenditures an average of 8 per cent and sales forces by an average of 15 per cent this year.

General Motors' $1 billion dollar expansion program for this year is perhaps the most dramatic expression of confidence in the future. This brings total expansion of that company, since the war, to $3 billion, which GM management believes will enable it to pass the $10-billion mark in sales.

Many other expansion programs are going full steam ahead. U. S. Steel has allocated $775 million for expansion this year. General Electric will spend $160 million this year and the same amount in 1955; Standard Oil of Indiana plans to spend $500 million during the next two years; Standard of California $275 million in 1954. The Bell System this year will spend $1.4 billion; electric utilities have earmarked $3 billion, compared with $2.8 billion last year. Industry plans to spend a total of $28 billion for new plant and equipment, the same amount it laid out for the record year of 1953.

For the past seven years, state and local governments have been increasing expenditures by between $1.5 and $2 billion, and this increase can be expected to continue. There is a widespread need for new schools, hospitals, roads, by-passes, bridges, and waterworks.

Inventory reductions have been going on for more than six months, and stocks must be replaced soon. Inventories have been cut by $14 billion a year, while final purchases have dropped less than half that amount.

Another positive factor is an estimated $5 billion increase over last year in consumer expenditures for services such as education, travel, medical care, vacations, repairs, and so on, bringing total expenditures to a new record of $81.4 billion.

There are also many long-range factors which have a bearing on the subject and which should be taken into consideration in plotting sales policies and strategy:

First, there is the continued increase in productivity. Productivity has increased 30 per cent since 1947, and promises to give us by 1960 a standard of living one-third higher than today.

Second, there is the increase in population. The excess of births over deaths in recent years has been approximately $2\frac{3}{4}$ million annually. There are 65 per cent more children today under five years old than in 1940, with the result that children's wear is now a billion-dollar industry and the toy industry has grown from $85 million in 1935 to $450 million in 1953. At the other of the scale, by 1960 one out of four of our population will be over 50. This, too, will open up new sales opportunities.

Third, the large increase in urban and suburban population. In every year since 1947, 30 million Americans have moved. More than half of our total population lives in 168 metropolitan trading areas, accounting for two-thirds of the total retail volume and nine-tenths of all wholesale volume. In these metropolitan areas, population in the suburban portions has increased 46 per cent since 1940, and in the central cities only 18 per cent. Farm population has lost $7\frac{1}{2}$ million people since 1940, yet farmers represent a $35 billion annual market today. Indicative of the growth in their economic status is the fact that 88 per cent of farmers have electric service today compared to 11 per cent pre-war.

Fourth, there is a need for at least a million new homes annually and for remodeling of countless others. More than half of all homes are 30 years old or over, and an additional 17 per cent were built more than 20 years ago.

Fifth, there is still a large potential market for automobiles and with it for gasoline, accessories, and service, as well as a need for additional highways. While there are 75 per cent more cars on the road than in 1940, still 22 million families, or two out of five, have no automobile.

These are just a few of the factors which point up the tremendous potential markets which are here to be tapped. There is no limit to our future growth provided we will get out and sell. All the ingredients for strong and profitable business are at hand if we will mix them properly and then stir like hell. You'll no longer find the market in a bassinet cooing on your doorstep. In other words, we now must realize that business is made, not born.

—From an address by LEONARD W. TRESTER (Vice President, General Outdoor Advertising Company, Inc.) before a National Sales Executives meeting.

WHICH ARE SALES DEPARTMENT COSTS?

WHO PAYS FOR WHAT is a question that goes unanswered in many companies and stymies many marketing plans. It generally arises in the absence of a clear-cut policy for determining which charges belong in the sales department account and which do not.

To help clear the muddle on sales department costs, a survey was conducted recently among 50 leading sales executives in a variety of consumer and industrial goods fields. The executives were asked to place each of the many expenses usually charged to the sales department in one of these brackets: those that definitely belong; those that never belong; and those that are borderline.

Among the charges which the majority of the respondents placed in the first category were almost all sales personnel costs

(sales executives' and salesmen's salaries, commissions, bonuses, and travel and entertainment expenses); share of rent, heat, and lighting; fleet auto rentals; stationery and office supplies in branch offices; rent of meeting place for sales conventions; convention props and special material; dealer displays; showrooms; demonstrators; samples; investigation of new markets; and shipping of sales-promotion material and samples. There was general agreement that a definite sales cost for the main office is also a definite sales cost for the branch office; this policy was especially evident in the areas of sales administration, sales personnel, and overhead and clerical expenses. Also recognized as sales department responsibilities were most sales promotion costs, especially items dealing with salaries and the preparation of sales aids, and the costs of published or broadcast advertisements.

Borderline charges, sometimes belonging in the sales department account and sometimes in other accounts, depending on circumstances, included such items as: stock participation or bonus stock for executives and salesmen; group or other benefit insurance for executives, salesmen, and clericals; outside education for sales executives; expense of tracer staff; sales accounting; return goods; manufacturer's sales tax; warehousing; shipping cost; extra cost of special orders (labeling, shipping, local warehousing, etc.); administrative entertainment; sales billing; shipping cost; house organ; differential in price for a special sale; and policy adjustments on price.

Charges which the respondents felt do *not* belong in the sales department account, though too frequently put there, include: retirement fund for salesmen and clericals; expenses of expediters in factory; sales billing; bad credits; damage to goods in transit; insurance on goods in transit; political contributions; legal costs (such as FTC and Fair Trade); testing laboratory; freight, express, and cartage on regular merchandise; chauffeurs' salaries; packing; spoiled stock; refrigeration; and pilferage.

Some of the more interesting breakdowns are these:

Research. Money spent to obtain market data and to investigate new markets is a charge that belongs in the sales department account; funds for advertising research is a borderline charge; new product research is a charge that does not belong in the sales department account.

Delivery. Shipping costs of samples belong in the sales department account; labor expense for handling products at sales branches is a borderline cost; truck expense does not belong in the sales department account.

Overhead. Share of rent, heat, and light belongs in the sales department account; cost of return goods is borderline; damage to goods in transit does not belong in the sales department account.

—*Printers' Ink*, Vol. 246, No. 9, p. 37:2.

MARSHALL FIELD'S FIRST CAR: At one of the intimate Sunday morning breakfasts that Marshall Field, founder of the family fortune, used to hold regularly, his friends were joshing him about the Pierce-Arrow he had just bought. "I'll tell you why I got a Pierce-Arrow," he related. "I let it be known that I wanted to buy an automobile, and all the salesmen in town descended on me. I let them all tell their stories, then I asked: 'What do you think is the second-best car?' They all said Pierce-Arrow, so I decided that must be the best."

—*Horizons* (Sidener and Van Riper, Inc., Indianapolis, Ind.) 4/54

PREVENTING WASTE OF PROMOTION MATERIAL

DOWN THE DRAIN goes a goodly portion of the sales promotion budget in many companies, because of poor use and outright waste of promotion material by salesmen and dealers. Recognizing the need for some control of the costs of promotion material—particularly now that "cheap" tax dollars are a thing of the past—management is looking for new and better ways to prevent misuse or waste of expensive promotion materials.

The two most obvious approaches are to improve the distribution procedure on the one hand, and to improve the promotion material on the other—make it more effective, broaden its use, make it go further.

One of the more important trends shaping up is that of getting salesmen back into the promotion picture. This is summed up neatly by Peter Frank, advertising and sales promotion manager of the wholesale distributing house Sues, Young & Brown: "We insist that primary distribution [of factory-produced material] be made directly by our salesmen in the field. Experience has shown us beyond any doubt that merely sending display and promotional material to a dealer is for the most part a useless effort. Unless our salesman takes the material directly to the dealer, opens the package, sets up the material, and places it properly, the odds are that this material will not be used, or at best will not be used effectively."

Closely tied in with greater use of salesmen is the trend toward working more closely with the user of the material to see that he gets what he can use at the time he can use it. Many studies are being made by advertising, promotion and sales departments to ask dealers and distributors, "Can you use this? What will make it more effective? How far in advance do you need it?"

Sometimes a little economic education can be helpful. Superior Sterling Company, for instance, has found that showing salesmen what the promotional material costs is a good way to get them to take better care of it and use it more effectively. A few salesmen have acquired some cockeyed ideas about the fabulous net profits their companies are making—and treat catalogs and booklets like newspapers.

The majority of companies are now using some form of "by request only" procedure whereby the salesman, distributor or sales representative must fill out an order form and return it to get certain promotional material. And a significant number of companies are going further than merely "making them ask for it." Fixed charges are made for promotional material, sometimes nominal, often a 50-50 deal. Occasionally the charge covers actual cost but is based on the volume price the factory gets—a price that could not be duplicated if the sales outlet were to purchase independently. Premiums most frequently come in this category.

Out of the various experiences reported for this study of current company practice, one basic principle underlined practically every successful program: Without complete and adequate and usually continuing instruction on the use of the promotional material, effectiveness falls off rapidly.

At Westinghouse, this job is considered so important that there is a staff

almost as large to help salesmen put the sales tools to work as there is for creating the tools themselves. "To protect the dollars we invest in promotional materials, we train our salesmen in using them," declares a Westinghouse official. "Every booklet, every movie, every demonstration item is distributed to our salesmen with a complete plan for putting that sales tool to work."

Pak-Well Paper Products distributes sales promotion material to jobber salesmen at sales meetings. The company's sales representatives explain what the sales kit contains, how it can be best used, and to whom it should be presented. Then they go right out in the field with the jobber men, showing them how the kit is used on the firing line.

The use of ceilings can be effective in establishing a control, too. Farm Bureau Mutual uses a $320-a-year maximum for its agents. Somewhat similar is the practice of Citizen's Mutual Automobile Insurance Company, where the sales department has determined the number of copies of various types of promotion pieces that small, medium, and large agencies could reasonably use in the normal course of operation. The supply and printing departments are advised to fill orders according to these limitations and to refer any requests over these limitations to the advertising department. In the latter case, a check is made, and if the agent plans some special promotion, the over-limit quantity is furnished.

—Dartnell Sales Service.

"Well, I'll just wait for him then . . . meanwhile, you go right ahead and finish your cigar."

The 1960 Sales Executive: A Composite Picture

JUDGING from test results, a sales executive of the immediate future may be described, at least in part, as: above average in intelligence, with high-level verbal facility; broadly based in interest pattern, but especially interested in persuasive activities; possessing a high degree of objectivity in inter-personal relations; highly agreeable; very cooperative.

This thumbnail sketch, of course, provides far from a complete portrait of the up-and-coming sales executive. Actually, it does not differentiate between successful and unsuccessful sales managerial personnel, though we might suppose that the latter group would probably have less than the former of all these and other desirable characteristics. These findings were drawn from test data obtained on 114 sales executives who attended the first year's sessions of the National Sales Executives—sponsored Graduate School of Sales Management and Marketing at Rutgers University.

These 114 sales executives were, in the main, representative of the younger group of sales executives, sponsored by their companies for this graduate course because they appeared to be of top-bracket sales managerial caliber in the near future. Most of them were assistant sales managers, division sales managers, or branch sales managers.

The average age of the 114 enrolled sales executives was 42. College men predominated, with only 10 per cent having had no college training. Slightly more than half held college degrees, and the others had attended schools of higher learning from one to three years. The group was almost equally divided between sellers of consumer goods or services and sellers of industrial goods or services.

—W. J. E. CRISSY, GEORGE J. VINSON, and HENRY MASUDA in *Sales Management* 3/1/54

Consumer Buying Power Nearly Doubles in 25 Years

THE AMERICAN CONSUMER'S purchasing power today is 92 per cent higher than it was 25 years ago, according to an official of the Department of Commerce. M. Joseph Meehan, director of the Office of Business Economics, recently told the University of Notre Dame's second annual sales and advertising conference that we "produced and sold more than twice as many goods and services in 1953 as in 1929."

Production-wise, Mr. Meehan said, "the most striking difference" in the American economy over the 25-year period has been "the great increase in the amount of our resources which we have found it necessary to devote to national security."

Another significant change in our economy, he said, is "a very pronounced increase in the proportion of our national income which arises in manufacturing, in wholesale and retail trade and in contract construction," along with a corresponding decline in agricultural employment and income.

"The fast growth of the previously less industrialized areas of the country and the narrowing of geographic income differentials have been an important force in broadening the American market," Mr. Meehan stated. Southern and Western states have increased their share of the national income from 29 per cent to 38 per cent in the past quarter-century, while the Northeastern states declined from 42 per cent to 33 per cent. Central states received the same percentage (29 per cent) of the national income at the beginning and end of the 25-year period.

"Differences among the states in per capita income have significantly narrowed" during the same period, Mr. Meehan reported. "Even so, the range in 1952 was from $818 in Mississippi, or half the national average, to $2,260 in Delaware."

—*Advertising Age* 5/3/54

BUILDING UP YOUR FOREIGN SALES

"DO IT YOURSELF" is now the byword in building export trade. As a worldwide buyers' market returns and government economic aid declines, industry must take the lead in holding and expanding its sales abroad.

Though international trade is still hobbled by several restraints, conditions exist today for greatly expanded foreign sales. Among industrial products with biggest potentials are machine tools and machinery, electrical equipment, construction machinery, and agricultural implements and tractors. The challenge to American enterprise is clear.

However, you can't drift into world trade or expect to build a market overnight. Export selling is said to be about three times as tough as domestic selling; your product must show real advantages and possibilities of success to justify your efforts. Though the job isn't easy, it can be done.

The first thing to do is to analyze the market's potential capacity to absorb your product. Consider population and its component elements. Determine purchasing power of the market; valuable guides are per capita imports and their character. Local tastes are an important factor, affecting design, color, trademarks, and packaging. Pronunciation and connotation of trade names can make a difference: Eastman Kodak renamed its Brownie Hawk-Eye camera the Brownie Fiesta for the Spanish market. Here are some specific suggestions for building sales abroad:

1. Develop a long-range trade development program. Sporadic promotion won't work.

2. Look at the foreign market through your customer's eyes. Give him what he wants, not what you think he wants.

3. Be prepared to offer adapted or stripped-down products; in many markets abroad you'll be operating in an economy of scarcity, not plenty.

4. Watch shifting patterns of trade and needs; conform with work habits, customs, and traditions of the country you're selling.

5. Adapt U. S. techniques in promoting sales abroad.

6. Keep your marketing plans flexible and open for new trading ideas.

7. Take advantage of trade leads. Check trade lists for opportunities for your product in specific areas.

Learn the effect of official regulations, such as import quotas, exchange restrictions, tariffs, and other controls. In establishing an overseas organization, check these points:

May the business legally be conducted by foreigners in the particular country? If so, will the foreign owner be allowed to retain effective control over the management of the business?

Are the property rights of investors adequately protected? Will the organization be permitted to hold real and other property of the type necessary to its operation? Will earnings be arbitrarily limited? May earnings and capital be repatriated?

Will the organization be able to employ necessary personnel, including that not native to the country? Will it be allowed to import necessary machinery and raw materials?

Do the laws of the country afford ample protection to industrial property rights, such as patents, trademarks, and copyrights?

Establish the existence and character of

competition from domestic producers, from other American producers, and from producers in other countries. Study quality, terms, and prices of principal suppliers and the actual conditions under which they operate. Consider your ability to adopt a measure of flexibility in sale terms to cinch a transaction.

Check means of distribution, facilities for shipment, and packaging required to figure costs. Investigate the best sales methods and advertising requirements (experience in the American market is seldom an accurate criterion). Determine the best selling seasons. Finally, survey business and credit conditions to learn if marketing conditions are favorable at this time. A good outline for analyzing your product's export possibilities, as well as a list of reliable sources for information and advice, is contained in the Commerce Department's booklet, *Guide for New World Traders.*

Your export system can take any of several forms. You can export directly under an export manager, a separate department, or a subsidiary. You can also utilize an established export organization. The independent combination export managers are firms providing export management services for several noncompetitive companies, operating as if they were full-time employees. Export merchants are professional middlemen, buying merchandise for foreign importers. Manufacturers' export agents act as sales representatives for U. S. manufacturers, often handling noncompetitive lines.

Proper organization of your export business can result in significant tax breaks. Separate subsidiary companies for selling abroad are now popular, giving benefits of separate accounts and reducing risks of double taxation. Licensing local companies to manufacture goods according to your methods and standards is also gaining.

The need for hard, creative selling in export markets is pointed up by the fact that American exporters are getting a smaller share of the world market than they had in the past, and many traditional American products are in danger of replacement by goods of foreign origin. Yet the unsatisfied demand for goods by people abroad is tremendous. It's American industry's job—and opportunity—to satisfy more of that demand by adapting techniques that have worked so well in the U. S.

—SAMUEL W. BAKER. *Steel,* May 3, 1954, p. 50:1.

How Consumers Spend

ESTIMATES of what the public will spend this year have placed the amount at $231.7 billion for goods and services. Despite a drop in employment, it appears that buying may equal or exceed last year's, estimated at $229.8 billion.

Six principal expenses of a typical family included under consumer spending are: food, clothing, housing, automobile, household operation, and home furniture. Food alone, by this estimate, will take $74.6 billion, or 31 cents out of the average dollar spent at retail; clothes, $20.4 billion, or nearly 9 cents of that dollar; housing, nearly 12 cents; a car and its upkeep and fuel, 8 cents; and furniture, 5 cents. Gas, electricity, and other home services will cost $11.9 billion.

In addition to these six major items, comprising 70 per cent of all consumer spending, another group of four may run to $25.4 billion, or 10 per cent of the

cost of all consumer goods and services. These four are, in order of their dollar volume, medical expenses, transportation, tobacco, and recreation.

The reduction of overtime and the withdrawal of some married women from jobs have reduced the incomes of countless families but have also added time for leisure. This may lead to the use of more savings for recreation, as well as for the needs of children, 26 million of whom have been added to the population since 1946. Changes in habits, such as the popularity of television and of do-it-yourself hobbies, have expanded the market for furniture, tools, paints, fabrics, and other household items. At the same time travel has continued to increase.

It seems fair to conclude that current estimates of consumer spending may, with reason, be optimistic. Families in all income brackets have broader needs than those of 10 years ago. As prices decline, or level off, the value of earnings will rise. The value of consumer savings will also rise. The limits of consumer credit haven't been touched. The purchasing power of today's consumers in some 47 million households should certainly be gauged on a somewhat different basis than that of the 36 million households of a decade ago.

—*The Biddle Survey* (Biddle Purchasing Company, New York) 2/23/54

The Business Uses of Census Data—A Survey

WHAT ARE the marketing uses of census data obtained by the Federal Government? How valuable are these censuses to marketers, and what changes would enhance their value?

Considerable light has been thrown on these questions by the findings of a survey recently conducted among its members by the American Marketing Association. In the final tabulation of results, 682 organizations were represented among the respondents.

A brief summary of findings developed by the survey discloses that regardless of type or size of organization reporting, extensive use is made of census data by business for marketing purposes. Ninety-six per cent of all respondent companies use census data in their marketing operations.

The returns gave an overwhelming vote of confidence in the value of census data for marketing purposes. Eighty-three per cent stated that the data were "very useful," 13 per cent said they were "moderately useful," and only 4 per cent said they were of little or no use.

Census data are used for a wide variety of major marketing purposes, including analysis of market potentials; economic and sales forecasting; analysis of distribution; analysis of sales performance; layout of sales territories; location of plants; location of warehouses and stores; and determination of samples for marketing research studies.

The Censuses of Population, Manufactures and Business supply the data most generally applicable to marketing uses. But censuses less generally used (Housing, Agriculture, Transportation, Mineral Industries, and Governments) are still vital to those whose markets are dealt with in these censuses.

Generally, respondents indicated that sampling studies are not an acceptable substitute for complete censuses because: (1) they have definite limitations, and (2) they do not meet the needs and requirements of various census uses in marketing. Nor would business collection of data be an acceptable substitute for complete censuses by the government, in the opinion of respondents.

The recommended frequency for different census programs follows, very closely, the actual programs developed in recent years. There is no general demand for drastic changes in present censuses. In general, however, the respondents expressed interest in greater census frequency and speedier census reporting.

CLOSED-CIRCUIT TV: MONEY-SAVER FOR SALES MEETINGS?

BUSINESS GATHERINGS that bring a company's salesmen, dealers, and others great distances to a central meeting place may soon be more the exception than the rule.

Such conferences, in increasing numbers, are now being taken to the local level by means of closed-circuit television. As an indication of the trend in this direction, more such meetings were held in the first two months of 1954 than in all of 1953.

Closed-circuit TV enables the top officials of a corporation to address simultaneously from the home office, or other convenient spot, field sales forces gathered in theaters or hotels in various parts of the country.

The intercity transmission facilities for closed-circuit TV, which are provided by the Long Lines Department of the American Telephone & Telegraph Company, are identical to those used for transmitting programs for home reception. However, the TV signal, instead of going to a broadcast studio, terminates in the theater or hotel where the meeting is held. A special type of projector flashes the picture on a screen.

According to officials of the companies which provide the facilities for conferences held via TV, it is cheaper to hold company meetings this way than to bring personnel to one point for such sessions. Not only does it save the traveling expenses of the participants but there is a saving in the time consumed going to and from the meeting. Furthermore, the conference can be held in a more businesslike atmosphere, without the horseplay that sometimes characterizes conventions.

One of the most ambitious closed-circuit TV presentations yet undertaken was staged by National Dairy Products Corporation for its 4,500 Sealtest salesmen in 15 cities several months ago. A program prepared for the event observed that "the idea of using closed-circuit television for presenting Sealtest's merchandising and promotion plans for 1954 seemed a natural from the start." Company spokesmen said it would have been possible to have held the meeting in some centrally located city, but "aside from the terrific expense involved in such a plan, you'd have a tough job collecting all the busy people involved at one time in one place."

Ford Motor Company has used closed-circuit TV on two occasions, and company officials are considering further use of the medium. Late in January, Ford dealers in 32 cities across the country participated in a sales meeting. The privacy which such a hookup assures made it possible to give the dealers a preview of a new 1954 sports model before it was unveiled to the general public.

The Dodge division of Chrysler Corporation recently held a coast-to-coast sales meeting in which top company officials addressed dealers in 29 cities. It is estimated that 15,000 dealers participated in this conference.

Pan American World Airways held a one-hour show for travel agents in 20 cities not long ago in anticipation of the coming tourist season.

Large-screen closed-circuit color TV was used at the recent Congress of American Industry of the National Association of Manufacturers at the Waldorf-Astoria. Color had previously been used for a display of Lee and Disney hats and for a fashion show sponsored by the New York Dress Institute.

—SHELLY PIERCE. *The Journal of Commerce*, March 5, 1954, p. 1:2.

Fifth Freedom: The Right to Dream

AS THE U. S. STANDARD OF LIVING goes up and up, the U. S. standard of dreaming goes up and up. Except for "the man who has everything," that exotic creature who turns up every Christmas in a few advertisements (and then the ads point out that he does *not* have everything, after all), most Americans have two standards of living: the one they are maintaining at the moment, and the one they are going to have if only they get that new job classification, or make that big sale, or bring that boss to his senses.

Today there are tens of millions of gainfully employed Americans, mostly under 35, who have never known a personal economic setback of any kind. Two times, three times, maybe even more times during the past decade, they have had to discard an old standard of dreaming because it had become an actual standard of living. But they have had no trouble finding themselves a new dream. A politician who wanted to make those people really mad wouldn't tell them that things are going to get much worse—they wouldn't believe him—but would tell them that things are going to stop getting better.

—*Fortune* 3/54

Also Recommended • • •

64 QUESTIONS FOR SALES MANAGERS. By Albert Yates. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), March 19, 1954. 25 cents. The questions in this self-analysis quiz for sales managers have to do with the setting of sales goals and sales policies, the degree of coordination that exists between sales and other departments of the company, products, knowledge of the market situation, selling costs, and most other major aspects of the sales manager's job. Probably very few sales managers could give perfect answers to all 64 questions, but they serve as a rather helpful check list of sales problems that need almost constant attention.

THE RICH MIDDLE-INCOME CLASS. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), May, 1954. $1.25. Nearly $100 billion a year is in the hands of 18 million family units whose spendable incomes are between $4,000 and $7,500. This is a report on who they are, how they earn it, and why there are so many of them.

HOW TO SCREEN A NEW PRODUCT IDEA. By H. J. Barnum, Jr. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), June, 1954. 75 cents. Good product ideas have sometimes been rejected hastily and poor ones adopted because an obvious merit or drawback overshadowed other considerations and the idea was not thought through to its most logical conclusion. The author has marshalled here the factors that should be taken into account whenever a new product idea is under consideration. He also recommends that responsibility for new products be concentrated in one man's job—and that this should be a full-time job in any large company whose product lines lend themselves to expansion.

SALES MANAGEMENT SURVEY OF BUYING POWER. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), May 10, 1954. 812 pages. $4.00. This major research study of U. S. buying power brings up to date Census findings and presents a wealth of data that are not otherwise available. A valuable aid in choosing markets for more intensive cultivation, fixing quotas of salesmen, allocating advertising funds according to market potential, and other important areas of sales planning.

SHOPPING CENTERS: A WAY TO MORE SALES IF YOU KNOW HOW TO USE THEM. *Tide* (2160 Patterson Street, Cincinnati 22, Ohio), April 24, 1954. 50 cents. By 1957 and perhaps even sooner, the number of important suburban, one-stop shopping centers will be doubled and possibly tripled, this article predicts. Discussing some of the prospects and problems ahead in selling through these channels, the article emphasizes that manufacturers will have to create new lines, middle-style and middle-priced, for suburbanites, or fail to realize anything near the enormous potential of this market.

Financial Management

COMPANY RETIREMENT PLANS: THEIR LEGAL AND TAX ASPECTS

R. B. WILTSE
Insurance Manager
Automatic Electric Company, Chicago

THE MANAGEMENT of a corporate enterprise is vested by statute in the board of directors, so that, in the absence of specific evidence to the contrary, we can safely assume that the authority to adopt a retirement plan is within its implied powers. However, since such a plan is usually a long-range commitment, requiring the expenditure of large sums of money, the stockholders' approval should be obtained either before or after adoption, depending upon the circumstances. This will lessen the force of any objection that might be raised by a present or future minority group.

If the company is subject to the rulings of the Securities and Exchange Commission, its legal counsel should determine how the commission's requirements will affect the retirement plan. Neither the law nor the regulations specifically define the commission's authority in this area. Where the plan is to be administered by a trust which will be permitted to invest in the employer's securities, the commission will have jurisdiction only if there is in effect an offer to sell securities. This is not likely to be the case under a non-contributory plan or under a plan in which participation is compulsory, for a sale presupposes the right to accept or reject the offer. However, when a company has a voluntary contributory plan, the commission holds that an "offer to sell" can take place.

Along the same lines are the "blue sky" laws of various states pertaining to the fraudulent sale of securities. Many states have ruled that trusteed retirement plans do not come within the scope of these laws, but still others have maintained either that they do or that the decision depends upon the facts of each case. In any event a firm should request its attorneys to check this point.

Many states, also, have exempted retirement plan trusts from some of the usual legal requirements applicable to a trust, such as those pertaining to its duration and the accumulation of income. Therefore, if the retirement plan is to be administered by a trust, the employer should determine the extent to which these laws are applicable, and provide for them in the plan and trust agreement; otherwise, the Internal Revenue Service will not qualify the plan.

QUALIFICATION REQUIREMENTS

There are several reasons underlying the requirements that must be met before a plan will be qualified by the Commissioner of Internal Revenue. First, it must be remembered that it was long a basic principle of the revenue laws that tax deductions for pensions

An address before the special AMA conference on Employee Group Benefits at The Hotel Roosevelt, New York, March 18-19, 1954.

could not be taken until the payment was made to the employee. This practice made it extremely difficult for employers to establish plans that were actuarially sound. In order to provide tax relief on this score, to encourage the adoption of retirement plans, and to prevent tax avoidance, the present regulations were gradually evolved. Furthermore, they have been designed to insure that the plans would be established for the benefit of a maximum number of employees. In this way a greater number of persons would be assured of receiving a retirement income to supplement their Social Security benefits.

General Requirements. To achieve this purpose, all the qualifying requirements emphasize two basic principles: (1) The plan must be for the exclusive benefit of the employees and their beneficiaries; (2) there must be no discrimination in favor of highly paid employees, officers, and stockholders. No plan will qualify if either of these stipulations is violated in the terms of the provision, or if it appears that violation could result from actual operations of the plan. The anti-discrimination principle is really nothing other than an expression of good business, since retirement plans are primarily intended to improve or maintain good employee-employer relationships. Any preferential treatment of a select group, under a plan which purports to be for the benefit of all employees, would discredit the plan and the management of the company.

Coverage Provisions. The first specific requirement concerns the coverage provisions of the plan. A plan can qualify if 70 per cent of all employees participate; or if 80 per cent of the eligible employees participate, provided that 70 per cent of all employees are eligible. The term "employees" is defined as all personnel except those who do not meet the service requirement of the plan and those whose employment is part-time or seasonal. Such individuals are excluded before applying the percentage tests because it is not considered necessary to provide benefits for transient or temporary workers. Although service requirements usually range from six months to five years, under special circumstances a somewhat longer period is acceptable, provided it is not unreasonable or discriminatory. If the plan meets neither of the two percentage requirements, it may still qualify under a special provision of the Revenue Code which is applicable to plans covering certain groups of employees.

The foregoing percentage requirements can frequently be relaxed as long as the coverage provisions do not discriminate in favor of highly paid employees, officers, and stockholders. This is particularly true for a contributory-type plan where the required participation cannot be obtained because a particular group of employees lack interest.

The regulations also state that a plan must qualify as to coverage on at least one day in each quarter of the taxable year. As a practical matter, however, this provision rarely concerns a company unless it appears that the coverage requirement is being met by only a small margin. Such a situation will be brought to light when the Internal Revenue Service reviews the data submitted annually with the tax return.

Whenever a contributory retirement plan is drafted, the scale of employee contributions should be carefully considered. If the scale is set too high, a

large number of employees may find participation in the plan too expensive. Under such circumstances the Commissioner will probably disqualify the plan as discriminatory.

The Basis for Benefits. The Commissioner will also look for evidence of discrimination in the method of determining benefits, especially when they are to be based upon employees' compensation. It must be decided whether or not to include bonuses, commissions, and overtime in the benefit base. Bonus payments to hourly-paid employees usually supplement low basic wages and for that reason should be included, especially if other employees are paid on a different basis. The principal concern, however, will be with bonuses paid to officers and supervisory personnel. The employer must be prepared to prove that the bonus, when added to the basic salary, does not produce unreasonable or excessive compensation. The company's position will be strengthened if it can show that the bonuses are determined under a fixed formula and that the practice is not a recent innovation. Commissions can be incorporated in the benefit base, provided they are a bona fide part of the employee's regular compensation. Although the Commissioner will also permit overtime to be included, it is usually advisable to exclude such earnings if only certain departments customarily work overtime.

Where benefits are to be based upon the employee's rate of pay as of a given date or on his earnings for a short period prior to a given date, the plan should provide that no consideration be given to increases in salary occurring during a specified period before the base date or during the base period itself. Without such a provision there would be room for discrimination in favor of certain employees.

Integration with Social Security. Having determined the benefit basis and the benefits that will result, the employer must next consider the integration of benefits with Social Security. However, this requirement applies only to plans which use employee compensation as a basis for benefits and which exclude employees earning less than a stated amount, referred to as the breaking point, and, since 1950, frequently set at $3,600. The integration rules provide that the plan benefits, when expressed as a percentage of compensation in excess of the breaking point, must not exceed the integration limit. The basic integration limit for plans to be correlated with the present Social Security benefits is 37.5 per cent. But this is only the starting point, since adjustments must be made because of variations in the types of plans and benefits provided. Adjustments are necessary, moreover, if the plan is contributory and if the normal retirement age is earlier than 65. Once a plan has been integrated, it will remain qualified even though the Social Security law is subsequently amended to provide greater benefits.

Retirement Age. The retirement age provisions of the plan must also meet the requirements of the Revenue Code. Although the normal retirement age is 65, an earlier age will be acceptable, provided it can be substantiated as customary for the particular company or industry. If this is not the case, the Commissioner may look upon it as a device to accelerate funding in order to gain a greater tax deduction.

It is the usual practice to provide for optional retirement dates, both prior and subsequent to the normal retirement date.

For earlier retirement the plan must stipulate a reduction of benefits on an actuarial basis; otherwise, early-retiring employees will receive greater benefits than those retiring at the normal date. When an employee continues working after the regular retirement age, the plan can provide: (1) that the benefit will be paid to the employee as though he were not working; (2) that the regular benefit will begin when the employee actually retires; or (3) that the benefit at an actuarially increased amount may begin at actual retirement date. The third method has two advantages for the employee: First, he will receive the actuarial equivalent of what he would have received had he retired earlier; second, he will realize a tax savings, for he will no longer be receiving a salary when the benefit is paid, and his total income will be in a lower tax bracket.

Vesting and Forfeiture. Since all plans must be for the exclusive benefit of the employees and their beneficiaries, the Commissioner will disqualify a plan if its vesting and forfeiture provisions are discriminatory or if the forfeited contributions will revert to the employer upon termination of the plan. Vesting refers to the employee's right to receive the benefits purchased without the employer's consent. A forfeiture exists when, through termination of employment or other cause, the employee loses all claim to the benefit purchased with the employer's contribution. A plan can meet these requirements by specifying: (1) that vesting will take place after a reasonable waiting period and/or upon the employee's attaining a given age, and (2) that all contributions applicable to the forfeited benefits will be applied to reduce the employer's subsequent contributions. The waiting period is intended to hold down the cost of the plan by limiting the vesting rights to employees who have completed a reasonable period of service and to encourage employees to remain in the service of the employer.

Permanency. A plan will also fail to qualify if there is any evidence that it is not *intended* to be permanent. This does not mean that a plan cannot be terminated. On the contrary, there should be a provision establishing the employer's right to discontinue the plan. The permanency of the plan will be tested either at its inception or at its termination. In the latter event, the plan could be disqualified retroactively, and the tax deductions disallowed for the years not covered by the statute of limitations.

Moreover, if it appears that early termination will result in discrimination in favor of highly paid employees and officers, the plan will not be approved. Disqualification on this score can be prevented by inserting a provision limiting, during the first 10 years of the plan, the amount of employer contributions that can be applied to the purchase of benefits for the 25 highest-paid employees whose estimated retirement income will exceed $1,500 per year. The plan should also state that, in the event of termination, all unallocated forfeitures will be used to purchase additional benefits for the participating employees.

Trust Requirements. When a plan is to be administered through a trust, certain other requirements must be met in order to qualify the plan and assure that the trust income will be tax exempt. As mentioned previously, the trust must comply with the applicable state law. Furthermore, the trust instrument must provide specifically that the trust principal and income will be used exclusively for the benefit of the employees. An em-

ployer cannot recover any part of his contributions unless there has been an error in the actuarial computations. Even in this case the excess can revert to the employer only upon termination of the plan.

The importance of qualifying a plan before a contribution is made cannot be overemphasized, for if the plan is found to be defective the tax deduction for the contribution may be disallowed.

EMPLOYER TAX DEDUCTIONS

Once the plan has been qualified, the employer will next be concerned with determining the tax deduction that can be taken for his contribution. Before considering the specific questions of when and how much, we should recall that an employer's contributions to a retirement plan, since they are in the nature of compensation for services, must first be certified as necessary and reasonable expenses of doing business. The Internal Revenue Service will examine the amount of compensation—that is, the sum of retirement contributions and regular salary—to insure that it is not excessive.

Also, if the plan is to be administered through a trust, the trust must be valid and in existence by the end of the taxable year in which the first deduction is to be made. In order to fulfill these qualifications, there must be a principal; therefore, at least a token payment should be made before the end of the year.

It is ordinarily true that an employer's contributions toward an approved plan are deductible in the year in which they are paid. However, if the employer maintains his records on an accrual basis, it will be assumed that the payment was made on the last day of the taxable year, provided that it is actually made within 60 days thereafter. The regulations for a trusteed plan provide that the 60-day accrual cannot be applied if the trust was not valid at the end of the taxable year. On this score the tax court has twice ruled that an accrual deduction can be taken, provided the trust was valid, except for principal, at the end of the taxable year. However, since the commissioner has not acquiesced in either of these cases, there is no assurance that he will go along with the court's ruling in the future.

The regulations also permit the employer's contributions which are in excess of the allowable maximum deduction for a given year to be carried forward to the succeeding year or years, when they can be deducted to the extent that the amounts paid in the latter years are not in excess of the maximum deduction.

Except for the 60-day accrual and carry-over provisions, these rules are equally applicable to unqualified plans under which the employees' rights are non-forfeitable at the time the contribution is made. In the case of unqualified plans under which the employees' rights are forfeitable, however, a deduction can be taken only when the benefits are actually paid to the employees.

Since retirement plans are usually tailor-made for a particular company, any discussion of the allowable tax deductions must be generalized. Certainly all the exceptions and variations permissible under the regulations cannot be covered.

Pension Plans. In determining the deductions for pension plans, whether self-administered or trusteed, an employer must obtain the Commissioner's approval of the treatment given the following factors: mortality, income on trust investments, trust expenses, employee turnover, retirement age, and anticipated changes in compensation levels. These

factors may be handled differently in various plans, but the results must be reasonable. The computations made with these factors are important since they will be used to determine the estimated cost of the plan benefits, which is usually expressed as a percentage of the payroll and applied to the wages of participating employees to determine the employer's contribution for each year. These actuarial data need not be submitted until the second year of the plan, if the contribution percentage does not exceed 5 per cent. However, in all cases the Commissioner will review the computations every five years in order to determine whether the percentage is excessive.

The Revenue Code prescribes various methods for determining the tax deduction. Under one method the deduction is computed in two steps. The first step is to calculate 5 per cent of the annual payroll of the covered employees. If the employer's contribution exceeds this amount, the excess to the extent necessary to pay the unfunded cost can be deducted. Employers need not have any concern on this point, since the Internal Revenue Service is well aware that a 5 per cent contribution will not purchase an excessive pension. Under the other method, which is referred to as the "normal cost method," a distinction is made between the employer's contribution for current service and past service costs. The contribution for current service cost is deductible in full as paid. However, the deduction for past service cost is limited to 10 per cent of the amount that would have been required to purchase the past service credits as of the date they were determined. For example, if—at the time the past service credits were established—the full purchase price was $100,000, then the maximum annual deduction would be 10 per cent of $100,000, or $10,000.

Retirement Annuity Plans. For a retirement annuity plan the deductions are determined by the normal cost method, and the Commissioner will assume that the rates charged by the insurance company are actuarially sound. The regulations governing this type of plan further provide that the employer's contribution must be reduced by the withdrawal credits resulting from terminations and withdrawals and that these credits must be used prior to the end of the succeeding year. If at the year end there should be unapplied withdrawal credits that have arisen prior to the beginning of the current year, the remainder must be applied to the purchase of additional benefits for the participating employees.

Unqualified Plans. As has been indicated, the advantages of a qualified plan from a tax standpoint are substantial, for it is possible to obtain a deduction for the full cost. This is not true, however, for some unqualified plans. These plans fall into one of two categories, depending upon whether or not the employees' rights derived from the employer's contributions are forfeitable. They are nonforfeitable if according to the plan there is no contingency that may cause the employee to lose them; otherwise, they are forfeitable. Where employees' rights are nonforfeitable at the time the contribution is made, the employer may deduct the total contribution to the extent that it represents reasonable compensation. In applying this test, the Commissioner will consider the amounts of other compensation.

The 60-day accrual provision, previously referred to, does not apply to unqualified plans; therefore, a deduction can be taken only in the year in which the contribution is made. Where the employee's

rights are forfeitable at the time the contribution is made, the employer will not be allowed a deduction. Even if the plan is subsequently qualified, it is unlikely that the Commissioner will allow the tax returns for those years to be reopened for the purpose of taking deductions for the contributions made in those years.

TAXATION OF EMPLOYEE BENEFITS

Still to be considered are the tax regulations governing retirement income benefits to employees and their beneficiaries. The situation varies somewhat depending upon the type of plan.

Qualified Plans. Under a qualified plan the retirement income is taxed in the years received or made available. If the distribution is from a non-contributory plan, the entire amount is taxable income. However, if the employee has contributed to the cost of the benefit, the amount taxable is equal to 3 per cent of the employee's total cost. This continues until the sum of the amounts not taxed equals the employee's cost. Thereafter, the full amount is taxable income. The reasoning behind this arrangement is that 3 per cent of the cost represents interest income on the employee's investment; therefore, that is the extent of his taxable income until his cost is recovered.

If the retirement income is to be continued to the employee's beneficiary after his death and if the value of the beneficiary's interest is included in the employee's estate, this value becomes the cost basis for the beneficiary. The regulations provide that the value of the beneficiary's interest in the annuity will be included in the deceased employee's estate if the election of the contingent-annuitant option was made after October 7, 1949. The beneficiary will then apply the 3 per cent factor to the new cost basis in determining the taxable income. This treatment applies even where the employee was covered by a non-contributory plan. It also applies where the plan was contributory and the deceased employee had recovered his full cost. The income tax advantages to the beneficiary of this arrangement probably will offset the disadvantage, if any, of including the value of the annuity in the estate for estate tax purposes. It is interesting to note that a different method is used when the employee has died prior to 1951. Under these circumstances, the income to the beneficiary is taxed in the same manner as it would have been had the employee continued to live.

Unqualified Plans. The employee's position under an unqualified plan in which his rights are non-forfeitable is somewhat less favorable. If his rights are non-forfeitable when the employer makes his contribution to the plan, the employee has a taxable income, for the year in which the contribution is made, equal to that portion of the employer's contribution which is applicable to him. This income will be considered the employee's cost in computing his taxable income when the benefit is actually distributed. If the employee's rights are forfeitable, he does not have a taxable income until the benefits are distributed or made available. In the event that the employee had contributed to the cost of the benefit, his taxable income would be determined by applying the 3 per cent rule.

The highlights of the major legal and tax problems involving the qualifying of retirement plans, the deductibility of employer's contributions, and the taxation of the benefits to employees have been discussed. However, because of the complexity of the subject and the constant

flow of new regulations and decisions, it may be difficult for insurance managers or personnel directors to keep abreast of all the pertinent considerations. For this reason, they should acquire a general understanding of the problems and make liberal use of their legal and tax counsels. The insurance manager's knowledge of the practical aspects and purposes of retirement plans will be of as much help to his legal and tax experts as their technical knowledge will be to him.

Profit Trends in Manufacturing

PROFITS AFTER TAXES of manufacturing corporations were 6 per cent higher in 1953 than in 1952, reflecting a like growth in sales, it has been reported by the Securities and Exchange Commission and the Federal Trade Commission. Manufacturing profits before taxes were an estimated $24.4 billion; after taxes, $11.3 billion. Manufacturers' sales reached a record high of $265.9 billion.

The principal financial statistics for all United States manufacturing corporations are summarized in the following table. (Dollar amounts are in billions.)

	1952	1953
Sales	$250.2	$265.9
Costs and expenses	227.7	241.9
Net operating profit	22.5	24.0
Other income—net	0.5	0.4
Net profit before federal taxes	22.9	24.4
Provision for federal income taxes	12.2	13.1
Net profit after taxes	10.7	11.3
Cash dividends	5.5	5.6
Retained earnings	5.2	5.7
Profits after taxes per dollar of sales	4.3 cents	4.3 cents
Rate of profit after taxes on stockholders' equity at end of year	10.2%	10.4%

Of the 23 different industry groups, 18 showed increases from 1952 to 1953 in profits after taxes. Iron and steel profits rose the most, 33 per cent. The non-auto transportation equipment, tobacco, and miscellaneous groups rose between 15 and 20 per cent, while other groups increased less than 10 per cent.

The rate of return on stockholders' equity after taxes for all manufacturing corporations in 1953 is estimated at 10.4 per cent compared with 10.2 per cent the preceding year. As in the preceding five years, the rate of return was highest for the largest companies and decreased with size.

"PRIVATE DEBT DOUBLED IN SIX YEARS." You've seen the headlines; chances are you shook your head at such evidence of a nation full of spendthrifts, rushing towards disaster. Actually, the U. S. Chamber of Commerce points out, private debt is far from pushing the nation into financial collapse. For instance, in the year 1929 private debt admittedly reached a dangerous high, $161 billion. But the national income that year was only $87 billion. In contrast, private debt in 1952 was $302 billion, but national income was $291 billion. Thus, the proportion of debt to income actually dropped—from 184 per cent in 1929 to 104 per cent in 1952.

CORPORATE FORECASTING PRACTICES: A SURVEY

WHAT IS THE extent of formal economic forecasting? How far ahead do companies attempt to project conditions, and how often are their forecasts prepared? These and other questions were explored in a recent survey of 30 representative corporations.

The survey revealed an increasing tendency for corporations to rely upon formal economic forecasts in making their plans. Of the 30 firms, only five do not prepare formal forecasts as a regular procedure, though four out of these five do so occasionally, it was found. A number of the respondents indicated that they have only recently begun to prepare formal estimates. More significantly, 14 of the 19 non-financial corporations have established their economic research departments within approximately the past decade.

The number of forecasts prepared regularly is one dimension of the extent of forecasting within a corporation. Approximately one-third of the companies prepare a single estimate of economic conditions; another third, two; the remainder make three predictions as a regular procedure, except for one corporation, which prepares four.

However, the number of forecasts is not a static affair but appears to vary with the degree of uncertainty currently being experienced by management. For example, one firm, which as a regular practice prepares only a six-month prediction, has recently prepared a one-year forecast for 1954.

Another dimension of the extent of forecasting is whether the forecast is quantitative or qualitative. A quantitative forecast, in terms either of gross national product accounts or of some other index of economic activity, is the most common, though a few firms prepare both types.

Data regarding the length of the forecasts suggest the relative dominance of the one-year and the three-month forecast as corporate planning tools. Among the longer-term estimates, the five-year forecast is the most prevalent.

However, neither the length of the forecast nor the frequency with which it is made is firmly established in practice. In a few instances, the length is not extended in a regular pattern. To illustrate, the usual practice is "to add a quarter and drop a quarter" when a one-year forecast is prepared quarterly. However, it may be that only once each year is the estimate actually one year in length; for each of the three remaining quarters it becomes progressively shorter.

In short-term planning, covering one year or shorter periods, the exact timing of the forecast is significant, since it should coincide closely with the corporation's planning period in order to be most effective. Conventionally, economic forecasts accord with the calendar year, though in many firms the fiscal year is not the calendar year. In fact, the "natural year" has been strongly advocated, particularly by accountants, and though only two of the firms represented are not on the calendar year, all agreed as to the desirability of having the forecast and the fiscal year coincide. Moreover, one of the firms not on a calendar year recently changed its forecast year to agree with its fiscal year in order to make the forecast more useful. However, the significance of this point is greater for companies in which production and inventory are major planning problems.

The amount of effort devoted to economic forecasting appears to be constant after companies reach a certain size. Also, given the current status of economic knowledge and the available data, a few well-trained persons can probably prepare as accurate a prediction as is humanly possible.

One of the most important features of economic forecasts, but a subtly complicated one, is their significance in corporate decision-making. In order to throw some light on the relative significance of forecast data, the heads of the economic research department were asked who in the organization received their estimates of general business conditions. Without exception the forecasts were sent to the president, the board of directors, and vice-presidents. In four instances the controller was included. As a rule, four to six executives received the data in each firm.

A second dimension of the use of forecasts is the particular type of corporate decision for which the data are significant. Of the 15 non-financial corporations, seven indicated the economic forecast was of major significance in preparing the sales forecast. In other cases, it was felt that there was no close relationship between corporate sales and general cyclical changes. In two other instances, the major purpose of the short-run forecast of general business is as an aid in forecasting the price of the product, which in turn serves as a basis for product-inventory decisions.

All firms making long-run forecasts (two years or longer) cited capital outlay decisions as the principal area served. However, not all the firms engaged in major capital outlays make long-run forecasts. Finally, as might be expected, financial institutions do not usually prepare long-run estimates.

—JOHN A. HOWARD. *The Journal of Business* (School of Business of the University of Chicago), Vol. 27, No. 1, p. 101:5.

What's Ahead in Capital Equipment Demand?

COMPUTED REPLACEMENT requirements for capital equipment will rise from an estimated $10.4 billion in 1954 to $15 billion in 1960, and in 1975 will be at the $26.7 billion level, the Machinery and Allied Products Institute predicts on the basis of a study reported in the May issue of its *Capital Goods Review.*

Changes in the age composition of the nation's stock of capital goods indicate that 80 per cent of equipment retirements occur in the over-10-year age bracket, the Institute finds. The stock of capital equipment has an historic growth rate of about 3 per cent per annum compounded. If this rate continues, the stock of capital equipment over 10 years of age will rise from the current $60 billion to $100 billion in 1960 and almost $200 billion in 1975, more than three times the present amount. The obvious consequence: a continuously rising equipment replacement demand.

Future replacement demand for plant presents a somewhat different picture than that for equipment, according to MAPI. Plant has a considerably longer service life than equipment, and future replacement is affected by the comparatively low level of plant construction which has obtained in the postwar period despite the high level of equipment installations. As a result, replacement opportunities are likely to become relatively less abundant for plant, and relatively more abundant for equipment, than they have been in the past few years.

MAKE "CAPITALISTS" OUT OF WORKERS?—
SOME PROS AND CONS

SHOULD management encourage employees to purchase company stock?

This question, addressed to any group of executives, is a sure-fire way to start a full-scale debate. The problem of employee stock ownership has been coming up with increasing frequency of late, and practically no one has taken a neutral position on it. For one thing, there has been a rise—not a substantial one, to be sure—in the number of companies offering formal plans for worker participation in stock buying. Secondly, there has been a considerable amount of recent research on successful and unsuccessful plans.

Opinions on employee stock plans divide into two groups, both very articulate and persuasive. The segment of management in favor of broadening the base of stock ownership among employees maintains that such plans (1) promote the habit of saving among employees and encourage thrift; (2) reward workers for faithful service and make it possible for them to share in the company's prosperity; (3) secure employee good will and stimulate workers to greater efficiency and loyalty to the company; (4) help raise new capital; and (5) encourage among employees an understanding of the management point of view and a feeling that their best interests lie in remaining with the company and working for its success.

These are noble objectives. But consider what the detractors have to say. The Opinion Research Corporation polled lots of management men on the subject of employee purchase of stocks, and the arguments of those who turned thumbs down were summed up this way:

1. The average employee has little spare money and shouldn't take big risks.

2. Savings for emergencies, insurance, and home ownership all deserve priority.

3. A worker should not put his savings and his job in one basket.

4. If the employee buys and the stock drops in price, he may blame the company.

5. The new capital that can be raised by this means is usually very small.

6. Stockholders may object unless given a chance to buy stock at a corresponding discount.

The last objection does not seem to loom as a major stumbling block. Emery Cleaves, vice-president of the Celanese Corporation of America, which has just completed a detailed study of stock purchase plans, points out: "Stockholder attitudes are reflected in letters to management and occasionally by an injunction to prevent a company from placing in effect a stock purchase or stock option plan. I must confess, however, that I cannot recall any lawsuit to prevent implementation of an employee stock ownership plan which embraced all employees. On the other hand, some letters currently received from stockholders complain of the company pension plan and insurance plan for employees and ask why such benefits cannot be made available to the stockholders as well. This reflects a feeling on the part of many stockholders that labor is receiving special privileges which are unfair to the small shareowners who own such a large portion of every large corporation."

To the employer, the big factor is whether or not stock purchase plans for employees do make any marked difference in worker loyalty, morale, productivity, and the rest of the intangibles that go to make up "labor relations."

Here, unfortunately, the "cons" seem to have it. No one can say with any degree of certainty that firms which have stock purchase plans have better labor relations than those which do not. Their strike records are little different from those of companies which do not offer to make "capitalists" of their workers.

—LAWRENCE STESSIN. *Forbes*, Vol. 73, No. 4, p. 21:1.

Also Recommended • • •

PENSIONS COULD BE BETTER. By R. Minturn Sedgwick. *The Atlantic Monthly* (8 Arlington Street, Boston 16, Mass.), June, 1954. 50 cents. Low interest rates and the rise in the cost of living have rendered some pension plans seriously inadequate. Describing how present pension plans could be modified to take advantage of certain long-term benefits of investment in common stocks, the author shows how the amounts now invested in pensions could be made to produce higher retirement income; furthermore, important death benefits could be provided at no extra cost.

MANAGERIAL ACCOUNTING — TWENTY YEARS FROM NOW. By Howard C. Greer. *The Accounting Review* (address c/o R. Carson Cox, College of Commerce, Ohio State University, Columbus 10, Ohio), April, 1954. $1.50. Continuing progress in the accounting field over the next two decades should see development in four major areas of accounting, which the author discusses here: (1) greater emphasis on "pre-accounting" studies—e.g., the preparation of budgets, establishment of standards, etc.; (2) more intensive analysis and comparison of costs and expenses; (3) closer study of the relationship between costs and prices; and (4) improved arrangement of financial statements, to clarify important internal and inter-statement relationships.

FINANCING CORPORATE BUSINESS. By Loughlin F. McHugh. *Survey of Current Business* (Superintendent of Documents, United States Government Printing Office, Washington 25, D. C.), April, 1954. 30 cents. The unprecedented capital expansion program undertaken in the postwar period was carried through with relative smoothness, this article shows. Higher outlays for fixed assets, the expansion of postwar assets, a favorable liquidity position, and greater use of borrowed funds are among some of the trends noted. Several charts and tables illustrate the data presented.

BUDGET INSTALLATION PROCEDURE. By Ely Francis. *The Controller* (1 East 42 Street, New York 17, N. Y.), June, 1954. 50 cents. Budgets are frequently developed by the accounting section of a company and submitted directly to top management without the prior knowledge or approval of the operating executives in the various departments concerned—with the result, in many cases, that executive morale and cooperation are seriously undermined. This helpful article sets forth a standard procedure for building a sound budget, putting budget information into writing, and communicating it effectively to all in management who are concerned.

STOCK OPTION PLANS FOR EXECUTIVES. *California Law Review* (School of Law, University of California, Berkeley, California), Fall, 1953. $1.50. This detailed review of recent court decisions affecting the tax status and legality of stock option plans for executives indicates that complainants—most frequently minority stockholders—will usually find it extremely difficult to invalidate a stock option plan. Where a complaint is made, however, the company can expect an intensive scrutiny of all facets of the plan by the court.

PERFORMANCE + COMMUNICATION = PRICE. By T. C. Thomsen. *Public Relations Journal* (2 West 46 Street, New York 36, N. Y.), May, 1954. 75 cents. Obviously, the most important factor determining a company's price performance on the stock market is its own profit showing—provided it is communicated adequately, effectively, and sensibly to the investing public. Looking beyond the types of information which companies commonly communicate to investors, and the facts they are compelled by law to disclose, the author is concerned here with various types of additional information which may be of interest to investors, and the effects that the withholding or releasing of this information can have on market prices.

Insurance Management

CONTROLLING THE COST OF GROUP DISABILITY BENEFIT PLANS

MANY COMPANIES have found the costs of their group disability plans are getting out of line because benefits and privileges have been abused. The total cost of such abuses is not reflected solely in excess benefit payments. There is an enormous "hidden cost" in the form of productive working time lost through increased and unwarranted absenteeism.

A number of companies have taken active steps to control this situation. When successful, such a program not only will cut costs under group disability plans, but will also reduce absenteeism and improve employee relations by removing possible sources of misunderstanding. The type of control program which a company adopts must of course be suited to its particular situation.

In analyzing some of the more successful methods of cost control, there appear to be four basic approaches to the problem, which are now being used either separately or as integral parts of one program:

1. *Educating the Employee.* The company should show clearly how abuse of the plan's provisions works to the disadvantage of all parties involved. For the supervisory staff, lack of proper control results in excessive absenteeism—which in turn means lower productive efficiency. For employees as a group, unnecessary increases in costs may make it impossible to increase benefits, or may even mean cutting back present benefits. For the individual employee, such cost increases may mean a loss in regular earnings and overtime. Moreover, his chances for upgrading may be jeopardized.

A company may use a variety of ways to explain fully the basic benefits and limits of its plan: prepare an attractive, easily read booklet outlining important features of the plan; hold group meetings with supervisors and also with union representatives; follow this by larger group meetings with employees, with a question and answer period; and present highlights of the plan in the company employee publication.

Education should be continuous. For this a competent staff will be needed to answer questions and help employees solve individual problems as they arise. Management should explain the limitations of the plan as well as its advantages, give prompt explanation when a claim does not fall within the plan's scope, and remind employees of the direct benefits of the plan from time to time. One company gives employees duplicate checks used in payment of claims as evidence of the plan's direct value.

2. *An Integrated Health Program.* Sub-standard health has a direct bearing on the individual's efficiency as well as on claims experience. A "better health" program includes frequent physical examinations of workers employed in hazardous jobs, those in certain age groups, or those with special health problems. Sometimes consultation by company medical advisers with the employee's personal physician is advisable to help him maintain a better health record. Many companies broaden their better-health program to include the

removal from the plant of potential causes of sickness or poor health.

3. *Community Relations.* It is advisable to maintain close cooperation with hospitals and doctors in the community. The company medical adviser should make personal contact with hospital superintendents and physicians, explain the plan in detail, and enlist their cooperation in limiting services to those essential to the patient's recovery.

A good idea is to provide local hospitals and doctors with copies of the company's group disability plan. As a result, employees will be admitted and discharged from the hospital with a minimum of red tape and will receive the best facilities and medical treatment permitted under the program at minimum cost.

4. *Incentive Plans.* A successful type of incentive plan is one that appeals directly to the individual by offering him time off, with full pay, for regular job attendance. One company has substantially cut absenteeism by offering employees one day off with pay for every 90 consecutive days' attendance.

Sometimes more complicated incentive plans, aimed at a whole department or plant, are also successful. One plan sets an estimated claim loss as a maximum "goal." When losses fall below this figure, the saving is used to improve departmental facilities for employees' comfort.

—*Employee Benefit Plan Bulletin* (Johnson & Higgins, 63 Wall Street, New York 5, N. Y.), No. 5.

A NEW FORM OF MEDICAL INSURANCE

WE SHOULD LIKE to describe a new approach to medical insurance that incorporates some highly desirable controls over the cost of such protection. In the belief that this new plan is sound, we have adopted it at TPF&C for our own employees.

The usual type of group health plan offers too little protection against the infrequent but serious illness where the cost can run into thousands of dollars—much of it often outside the hospital. On the other hand, it does too much in the area of relatively small claims for the normal run of ailments for which complete reimbursement or care is often provided, especially if the patient is admitted to a hospital. Moreover, by providing such complete coverage for ordinary illnesses without any built-in incentives to control costs, it tends to encourage claims abuse. The two latter factors have led to a pattern of sharply rising costs that show no signs of diminishing in the future.

It is apparent that an "ideal" medical insurance plan would have the following general characteristics: (1) It would provide adequate protection against high medical charges arising both in and outside of the hospital; (2) it would reduce or eliminate administration costs of small claims which could better be treated by individual budgeting; and (3) it would give the insured employee a personal incentive to eliminate unnecessary treatment and to keep the over-all costs reasonable.

The first requirement—protection against infrequent but serious cases—has recently been met in the form of major medical (or catastrophe) insurance plans superimposed on basic hospital-surgical

plans. But major medical insurance, while it adequately covers high medical charges and out-of-hospital care, does not eliminate all the weaknesses of present-day programs. The underlying basic plans may still be characterized by excessive administration costs for small claims and by claims abuse.

The problem of small claims and their high administration costs can best be solved by extending the deductible feature of major medical insurance to cover first expense incurred, so that the individual would have to pay $50, for example, before any benefits are insured. Similarly, claims abuse can be curtailed by requiring the insured to pay a fraction of his total charges; thus, it would also seem desirable to extend the coinsurance feature to the basic plan area.

One over-all plan covering hospital, medical, and surgical bills of all kinds, whether rendered in or out of the hospital, would be simple to administer and adequate in scope. A typical "new comprehensive medical plan" might have the following provisions: (1) It would pay 75 per cent of all necessary and reasonable hospital charges; (2) it would pay 75 per cent of necessary and reasonable medical expenses—in or out of the hospital—after a deductible of $50 or $100, depending on earnings; and (3) it would pay a maximum of $10,000 for any disability beginning after two years of coverage ($2,000 during the first two years).

While the desirability of high-limit coverage has been almost universally recognized, features requiring the individual to pay a part of his total medical bills will hardly be welcomed by employees, many of whom are now covered by basic plans that pay almost all of the cost of routine hospitalization.

The solution to this problem is largely one of employee education and timing. There is no reason why the deductible and coinsurance features cannot be "sold" to employees in return for broader coverage both in and out of the hospital and for higher limits of protection against the financially crippling costs of serious illnesses and accidents.

There are many obstacles in the path of developing, explaining, and installing such a comprehensive medical plan. From an employer's standpoint the stakes are high, but well worth it, because for the first time there is some control over the runaway spiral of increasing health insurance costs.

—*The TPF&C Letter* (Towers, Perrin, Forster & Crosby, Inc., Consultants on Employee Benefit Plans, Philadelphia, Penna.), May, 1954.

State Unemployment Insurance Legislation—1953

AMENDMENTS to unemployment insurance laws were adopted by 41 states in 1953. On the whole, these changes increased benefit-rate levels, imposed more restrictive disqualification standards, and modified experience-rating systems to permit certain employers to reduce payroll tax rates.

Most of the amendments to benefit clauses adopted by 26 states in 1953 provided for increases for some workers. In some states, however, the changes reduced the benefit rights of others or entirely excluded some from unemployment insurance protection.

During 1953, 17 states amended the provisions as to qualifying earnings or employment: 11 states increased the minimum qualifying wage requirements; three made no change in basic qualifying requirements, but added provisions which would

make it more difficult for some workers to qualify; and three others liberalized qualifying requirements slightly for some workers.

The emphasis of unemployment insurance legislation in 1953 was on adjusting the maximum weekly benefit to reflect higher wage levels rather than on extending duration of benefits. Twenty states increased the basic maximum weekly benefit.

At the end of the 1953 legislative sessions, the maximum basic weekly unemployment insurance benefit varied from $20 to $35, except in four states, where the potential augmented benefit ranged from $38 to $70.

During 1953, only eight states amended provisions governing the maximum length of benefit payments. Four of these, which provide for variable duration of benefits, increased the maximum period to 26 weeks. Two others extended the 26-week maximum to additional groups, and two with uniform duration raised the maximum to 24 and 20 weeks, respectively.

Of the 24 states which amended disqualification-from-benefit provisions, eight struck out certain causes which rendered workers ineligible for benefits and fifteen added new causes. Eleven states intensified the severity of their disqualifying provisions, and six lessened the severity.

—*Monthly Labor Review* 4/54

Major Medical Expense Coverage—One Company's Experience

ONE OF THE POINEERS in offering major medical expense coverage to employees has been the General Electric Company. After two years of preliminary study, a plan for executives was started at GE in 1949. In 1951, similar coverage was offered to all employees. Nearly 30,000 employees are now covered at Schenectady, 4,000 at Bridgeport and 5,500 at Syracuse.

GE's experience under these plans during the past 2½ years was recently reported by J. F. Duncan before the Council of Employee Benefit Plans in New York. It is summarized in the following table:

	Schenectady Plant	*Bridgeport Plant*
Average Exposure (number covered)	29,154	4,170
Total Claims	863	110
Annual Claim Frequency per M	11.8	10.5
Average Expense per Claim	$766	$827
Distribution of Total Expense		
0 to $500	335	32
$501 to 1,000	341	49
$1,000 to 2,000	156	26
$2,001 to 5,000	31	3
Percentage of Total Expense Paid by		
G. E. Insurance Plan	44.5	42%
Catastrophe Hazard Plan	30.5	30%
Insured or Claimant	25	28%
Average Age	47	45
Claim Cost per Week per Member	5.3 cents	5 cents
First period	3.0 "	4 "
Second period	8.5 "	7 "
Third period*	6.3 "	3.8 "

* Change in provisions of basic GE insurance.

—*Employee Benefit Plan Review* 1/54

Trends in Health and Welfare Plans

NOT ONLY are more and more employers footing the bill for health and welfare benefits, but they're also paying more to provide their employees with these benefits. At least that's what's happening in San Francisco, where the Federated Employers, in cooperation with the United Employers of Oakland, recently completed a survey of 207 employee health and welfare plans.

Today, 95 per cent of the employers surveyed foot the entire bill—apart from the cost of temporary disability benefits, toward which employees may be required under state law to contribute. A little over a year ago, only 85 per cent of the plans were employer-financed. Similarly, the median employer contribution now falls between $8 and $8.99 per month, while a year ago it fell between $5 and $5.99.

Another trend noted by the survey is an increase in the number of plans providing dependent coverage. At present, 49 per cent have such coverage; in December, 1952, the figure was 40 per cent. Of the plans which currently have such coverage, 71 are paid for by the company and 30 are jointly financed.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 5/6/54

Also Recommended • • •

THE ADJUSTER AND THE BUYER. By Benjamin Horton. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), May, 1954. 50 cents. In explaining the philosophy of the adjuster's profession to the insurance buyer, the author discusses what the adjuster expects from the insured and what he in turn can expect from the adjuster. Three phases of the adjuster's job are described—determination of the coverage, investigation of the loss, and negotiation—with strong emphasis placed on the advantages to the insurance buyer of giving the adjuster full cooperation in his work.

MAJOR MEDICAL EXPENSE INSURANCE. By Benjamin Lorber. *Management Methods* (141 West 44 Street, New York 17, N. Y.), June, 1954. 50 cents. On analyzing its hospitalization and surgical benefit plan, the author's firm discovered that it did not provide adequate protection against large fees for non-surgical services in and out of the hospital, costs which could easily bankrupt an employee and his family. Setting up a deductible of $100 for any one disability and arranging for the company to pay 75 per cent of all medical costs, the revised plan established reasonable allowances for hospital charges for room, board, and other services, as well as for surgical fees, which were placed on a scheduled basis. After 16 months of operation, the major medical expense plan has proved to be outstandingly successful, even though, unlike many other health plans, it covers *all* illnesses without exclusion.

YOUR HEALTH INSURANCE—WILL IT PAY ALL THE BILLS? By Albert Q. Maisel. *The American Magazine* (640 Fifth Avenue, New York 19, N. Y.), June, 1954. 35 cents. Despite the protection afforded two out of three Americans by hospital insurance, and the widespread ownership of surgical and medical expense insurance (80 million and 35 million subscribers, respectively), prolonged illness is likely to impose severe financial strain even on an insured family, the author observes; typically, it may have to bear more than half of the direct costs involved. Examining some of the plans that have been devised to remedy this situation, he concludes that the best hope of a solution lies in major-medical-expense insurance, which combines deductible and coinsurance features with the principle of inclusive coverage.

THE TREATMENT OF INDUSTRIAL NOISE. By Henry D. Sayer. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), June, 1954. 50 cents. Industrial noise as a cause of compensable disability is the subject of this article, which describes in some detail the legal background of the problem, together with future difficulties it may bring. A source of infinite complexity in administration and great potential cost is the problem of accrued liability for already incurred partial loss of hearing. Declaring that the present situation transcends in difficulty any that has heretofore arisen in compensation, the author calls for a through examination of the medical, legal, and economic implications of this problem.

Survey of Books for Executives

CAPITALISM AND THE HISTORIANS. By T. S. Ashton, Louis Hacker, F. A. Hayek, W. H. Hutt and Bertrand de Jouvenel. Edited by F. A. Hayek. The University of Chicago Press, Chicago, 1954. 188 pages. $3.00.

Reviewed by Leo Teplow***

The search for truth includes the destruction of myths, no matter how old, revered and prized the myths may be.

Here is a slim volume of authentic learning put to very practical use: the destruction of the gross myths that have been current for a hundred years concerning the alleged evils that stigmatized the Industrial Revolution and the birth of the factory system in the first half of the nineteenth century.

As Professor Hayek† points out in his introductory chapter, "Historical myths have perhaps played nearly as great a role in shaping opinion as historical facts." And this volume makes it clear that much of the writing that has shaped opinion about the early years of the factory system consists of assiduously cultivated myths.

Who does not recall the pitiful stories of scrawny children whose lives were blighted by long and weary hours in mill and mine, the immoral and inhuman conditions of employment of women, the harrowing tales of mushrooming city slums that have become standard in describing the development of the factory system in the 1820's and 1830's? The authors of *Capitalism and the Historians* have rendered a signal service in putting the condition of early factory employees in a perspective of scholarly objectivity. For the classic description of the conditions of employment and living of the early employees of the factory system has colored social and political thinking to this day.

The rise of capitalism was opposed by the conservative landed gentry of England. As in our own day, the extreme conservatives and the radicals made common cause in misrepresenting the new capitalism and propagandizing against its alleged evils.

Most of the propaganda stemmed from "Sadler's Committee," set up to investigate the conditions of employment of children in factories in 1831. To get his "Ten Hours' Bill" through Parliament, Sadler had the Committee submit a report after the Committee had heard only the critical witnesses selected by Sadler, and before any opposing witnesses had been heard.

As W. H. Hutt,* one of the authors of *Capitalism and the Historians,* points out: "Even Engels, Karl Marx's comrade-in-chief, describes the Report thus: 'Its report was emphatically partisan, composed by strong enemies of the factory system for party ends. . . . Sadler permitted himself to be betrayed by his noble enthusiasm into the most distorted and erroneous statements.' "

Even though later reports effectively answered its charges, it was the original report which became the source of basic data for subsequent writers. The corrections never caught up with the original charges—a situation not unknown to the newspaper reader of today.

The Sadler's Committee report was avidly taken up by Marx as evidence of the degradation and imminent demise of the capitalist system; by the equally emotional, if less militant, Fabian Socialists;

* Industrial Relations Consultant, American Iron and Steel Institute.

† Professor of Social and Moral Science in the Committee on Social Thought, University of Chicago.

* Professor of Commerce, University of Capetown.

and by most of the reformers and intellectuals of that day and many years to follow. It has done immeasurable harm.

Most of the history writing has been done by men who were not economists, and who could not be expected to understand the revolutionary nature and the limitless possibilities of capitalism. They saw that certain conditions were bad—as indeed they were—and did not stop to ask themselves whether the deplorable working conditions and burgeoning slums were caused by capitalism or by the sudden increase in population, the universal migration from the land to the cities, and the Irish influx; nor did they investigate to find out whether conditions might not have been much worse without the greatly increased production that was made possible by the factory system. Little wonder that Alfred North Whitehead concluded: "The more history I read, the less I think of historians."

Had these writers studied the nature of capitalism, instead of demanding laws to curb the rising giant, they might have concluded as does L. M. Hacker,* one of the contributors to this volume: "Sound monetary and credit policy as a public function; risk-taking as a private one—here in epitome is the history of capitalism." How many blind alleys that might have saved subsequent generations!

The zeal of those who were determined to demonstrate the viciousness of the factory system apparently was not limited by ethical considerations. W. H. Hutt refers to a cripple, deformed from birth, being exhibited in the hall of a benevolent nobleman to impress his friends with the injurious results of factory labor. The cripple was also taken on the road, to show how monstrous this upstart factory system was. Propaganda is not a 20th-century innovation.

Capitalism and the Historians, though a hundred years late, is still very badly needed and deserves a wide audience, especially among those who are instrumental in helping others understand our present system and the roots from which it sprang. Seldom has distinguished scholarship been put to better use than in this book.

* Dean of the School of General Studies, Columbia University.

FREEDOM'S FAITH. By Clarence B. Randall. Little, Brown and Company, Boston, 1953. 198 pages. $3.00.

Reviewed by Herman W. Steinkraus*

In this, his latest book, Clarence B. Randall, Chairman of the Board of Inland Steel, sets forth his philosophy of life and at the same time gives specific business advice based upon broad experience.

It is particularly noteworthy when a businessman writes a book of this kind. The reader is less conscious of the author as a prominent steel executive than as a human individual whose philosophy of life is a reaffirmation of all those basic principles we were taught in childhood. Mr. Randall has tested these principles through a trying period for our nation. This was also a period of strenuous activity for him as a businessman and a citizen, enjoying the freedom and meeting the problems of an individual in a free society.

Anyone who reads this book will be impressed with Mr. Randall's ability to recognize and express those fundamental truths, learned in the course of a successful life. But he also points out flaws which have crept into our thinking—such as our false complacency over American achievements as the biggest and mightiest in the world.

He also warns us against destructive forces which begin from worth-while intentions but end up with dangerous practices such as combinations in restraint of competition by industry, subsidies by government, or featherbedding by powerful unions.

* President and Chairman of the Board, Bridgeport Brass Company.

The chapters on "The Businessman and Education" and "The Businessman and Religion" point out a course which he has thought through for himself in terms of a sound philosophy of life. Each individual sooner or later needs to face up to the task of developing his own philosophy if his life is to be given real meaning. This forward-looking book is a concise picture of a successful businessman's philosophy of life. It is one that should be read by young men particularly, because of its forward look and its stimulating recognition of fundamental principles, based on experience in the great adventure of life in our democracy.

The chapter on "Management as a Profession" clearly outlines what modern management means, as contrasted with the old school of plant management. Every executive can afford to read through this brief outline, which in a limited number of pages sets forth not only the functions but also the spirit of good management.

Freedom's Faith is a compact volume by a man of vision and enthusiasm, based upon his experience in a great industry and a great country. It is worth a careful reading.

Briefer Book Notes

[Please order books directly from publishers]

THE WONDERFUL WRITING MACHINE. By Bruce Bliven, Jr. Random House, New York, 1954. 229 pages. $3.95. A sprightly and informative account of the typewriter from its earliest beginnings in England, circa 1714, to its present preeminence as mainstay of business communications and source of livelihood for 2½ million American working girls. More than 60 illustrations supplement the text, which is also liberally interspersed with quotations from a variety of authentic historical sources.

COMMERCIAL ART AS A BUSINESS. By Fred C. Rodewald. The Viking Press, New York, 1954. 129 pages. $2.95. Those who buy or use the products or services of commercial artists, as well as commercial artists themselves, will find much of interest and practical value in this guide. Discusses such factors as the pricing of artwork and artists' services; the markets and sources of availability for commercial artwork; legal questions concerning contracts, copyrights, royalties, etc.; how an art agency or service studio operates as compared with free-lance artists; factors in the planning, scheduling and carrying through of art projects; and other areas of common concern to buyers and sellers in this field.

SUCCESS AND SATISFACTION IN YOUR OFFICE JOB. By Esther R. Becker and Richard L. Lawrence. Harper & Brothers, New York, 1954. 149 pages. $2.50. How the office worker—beginner or experienced employee—can create the job environment most suitable to her particular abilities and potentialities is discussed here. In addition to chapters on the psychology of tact, planning, showing initiative and handling office machines most efficiently, the book includes specific advice for the older woman who is seeking employment.

THE SALESMAN'S COMPLETE IDEAS HANDBOOK. By Emille Raux. Prentice-Hall, Inc., New York, 1954. 227 pages. $4.95. More than 1,000 techniques are outlined here on finding and holding good prospects, increasing the salesman's output, getting across the sales message, and many other aspects of selling. The author's view is that there are no "natural-born" salesmen and that observance of objective principles of successful selling can enable any "ordinary" salesman to achieve top earning power.

3 SOUTHERN PLANTS OF INTERNATIONAL HARVESTER COMPANY. By John Hope II. *Selected Studies of Negro Employment in the South.* NPA Committee of the South, National Planning Association, Washington, D. C., 1953. 143 pages. $1.75. Policies and practices of nondiscrimination followed by management and labor unions at three southern plants of the International Harvester Company are described in this report, one of a series of six case studies of bi-racial employment. Special significance is attached to three company-wide policies: advancement from within, for management as well as workers; collective bargaining with authorized unions; and continuous application of a planned program of nondiscrimination. In all three plants, the report states, the results have been that white and Negro workers performing the same job get the same wages; the Negroes' share of total employment and of jobs above the unskilled level has increased; and the proportions of white and Negro workers in semi-skilled production jobs are approximately equal.

Publications Received

[Please order directly from publishers]

OPERATIONS RESEARCH—CHALLENGE TO MODERN MANAGEMENT. Student Operations Research Group, Graduate School of Business Administration, Harvard University. 1954. 128 pages. Available at $10 per copy from Operations Research, P. O. Box 245, Cambridge 38, Mass.

THE STRUCTURE OF AMERICAN INDUSTRY: *Some Case Studies.* Edited by Walter Adams. The MacMillan Company, New York, 1954. Revised edition. 590 pages. $5.75.

FEDERAL-STATE-LOCAL TAX CORRELATION: *A Symposium.* Tax Institute, Inc., 457 Nassau Street, Princeton, N. J. 1954. 256 pages. $5.00.

CASES IN MARKETING. By Lawrence C. Lockley and Charles J. Dirksen. Allyn and Bacon, Inc., New York, 1954. 348 pages. $3.95.

CASES AND PROBLEMS IN MARKETING RESEARCH. By Donald F. Blankertz, Robert Ferber, and Hugh G. Wales. The Ronald Press Company, New York, 1954. 347 pages. $5.00.

PRICES, INCOME, AND PUBLIC POLICY: *The ABC's of Economics.* By Clark Lee Allen, James M. Buchanan, and Marshall R. Colberg. McGraw-Hill Book Company, Inc., New York, 1954. 428 pages. $5.00.

AN INTRODUCTION TO THE STUDY OF INDUSTRIAL RELATIONS. By J. Henry Richardson. The MacMillan Company, New York, 1954. 444 pages. $5.25.

THE TEACHING-LEARNING PROCESS. By Nathaniel Cantor and Stephen M. Corey. The Dryden Press, Inc., 31 West 54 Street, New York 19, N. Y. 1953. 350 pages. $2.90.

EXPERIENCE UNDER NATIONAL WAGE AGREEMENTS: *The Bituminous Coal and Flint Glass Industries of West Virginia.* By Gerald G. Somers. Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va. 1953. 82 pages. Gratis.

AN ANNOTATED BIBLIOGRAPHY OF WORD ASSOCIATION REFERENCES IMPORTANT TO MARKETING RESEARCHERS. By James M. Vicary. James M. Vicary Company, 22 East 60 Street, New York 22, N. Y. 1954. 5 pages. Gratis.

YEARBOOK OF LABOUR STATISTICS: 1953. Published by International Labor Office. Available from ILO, Washington Branch, 1262 New Hampshire Avenue, Washington 6, D. C. 376 pages. $5.00.

ACCOUNTING SYSTEMS: *Design and Installation.* By J. Brooks Heckert and Harry D. Kerrigan. The Ronald Press Company, New York, 1954. 673 pages. $7.00.

HOW TO WRITE SUCCESSFUL BUSINESS LETTERS IN 15 DAYS. By John P. Riebel. Prentice-Hall, Inc., New York, 1953. 295 pages. $4.95.

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